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April 2, 2014

EX PARTE VIA ECFS

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Policies Regarding Mobile Spectrum Holdings, WT Docket No. 12-269

Expanding the Economic and Innovation Opportunities of Spectrum through Incentive Auctions, GN Docket No. 12-268

Dear Ms. Dortch:

Various parties to this proceeding – most recently Sprint[1] – have proposed some form of frequency-biased spectrum screen in which the Commission would count lower-frequency spectrum more heavily than (or separately from) higher-frequency spectrum (collectively, a "low-band spectrum screen"). AT&T and others have repeatedly shown that these proposals are fundamentally and irredeemably flawed, and recent statements by Sprint's Chief Network Officer only underscore the point.

Sprint now controls at least 120 MHz of 2.5 GHz spectrum in at least 90 percent of the top 100 U.S. markets.[2] Just weeks after Sprint urged the Commission at length to adopt a low-band spectrum screen due to purported inadequacies of spectrum above 1 GHz, Sprint's Chief Network Officer (John Saw) touted in a press interview Sprint's upcoming plans to use its 2.5 GHz spectrum as the foundation of a wireless broadband service that will provide peak download speeds of 120-180Mbps.[3] "'Those are incredibly fast speeds,' Saw said, adding that Sprint may even be able to increase speeds beyond that through additional technologies. 'With Smart antenna capabilities that we are putting in our systems we are able to leverage even higher speeds than those.'"[4] Indeed, the 2.5 GHz band is "a powerful resource for Sprint to catch up to its

[1] *See* Letter and Report from Lawrence R. Krevor, Vice President for Legal and Government Affairs, Sprint, to Marlene H. Dortch, Secretary, Federal Communications Commission, WT Docket No. 12-269 (Feb. 11, 2014) ("*Sprint 2/11/14 Ex Parte*").

[2] *See, e.g.*, Sprint's CEO Discusses Q3 2013 Results – Earnings Call Transcript, Oct. 30, 2013, http://seekingalpha.com/article/1787062-sprints-ceo-discusses-q3-2013-results-earnings-call-transcript (attached at Ex. 1).

[3] www.fiercewireless.com/node/268466 (attached at Ex. 2).

[4] *Id.*

competitors", and can allow Sprint "to provide super high speed data connections" and perhaps become the "king of data speed."[5]

The foregoing circumstances underscore the emptiness of any asserted basis to treat spectrum under 1 GHz any differently than spectrum above 1 GHz for purposes of a spectrum screen. They also emphasize the irrationality of failing to include Sprint's entire 2.5 GHz spectrum holdings in the denominator of the spectrum screen.

If the Commission nonetheless opts to adopt some form of weighted spectrum screen, unpaired Lower 700 MHz D and E Block spectrum should be weighted as high-frequency spectrum. That is because such spectrum will be used *only* for supplemental downlink bonded to high frequency spectrum. The 700 MHz D and E Blocks will therefore be deployed as if they were high-frequency spectrum; specifically, the deployment will necessarily mirror the deployment of the high-frequency spectrum to which it is bonded. Accordingly, if the Commission were to weight spectrum for screen purposes – which itself would be unlawful, as previously explained – the Commission must weigh Lower 700 MHz D and E Block spectrum as if it were high frequency spectrum, lest the Commission act arbitrarily and capriciously.

In accordance with the Commission's rules, this letter is being filed electronically with the Secretary for inclusion in the public record.

Sincerely,

/s/Alex Starr

Alex Starr

cc (via e-mail):

Jim Schlichting
Michael Janson
William Beckwith
Catherine Matraves
Joel Taubenblatt
Thuy Tran
Dan Ball
David Valdez

[5] www.fiercewireless.com/tech/node/62260 (attached at Ex. 3)(quoting Feb. 28, 2014 Report from Strategy Analytics, a technology business consulting firm, attached at Ex. 4).

EXHIBIT

1

Seeking Alpha α

Sprint's CEO Discusses Q3 2013 Results - Earnings Call Transcript

Executives

Brad Hampton - Vice President of Investor Relations

Dan Hesse - Chief Executive Officer

Joe Euteneuer - Chief Financial Officer

Steve Elfman - President of Network, Technology and Operations

Analysts

Brett Feldman - Deutsche Bank

Michael Rollins - Citigroup

Jonathan Chaplin - New Street Research

Colby Synesael - Cowen and Company

Jennifer Fritzsche - Wells Fargo

Phil Cusick - JPMorgan

Tim Horan - Oppenheimer

Sprint Corporation (S) Q3 2013 Earnings Call October 30, 2013 8:00 AM ET

Operator

Good morning. My name is Molly and I will be your conference operator today. At this time, I would like to welcome everyone to the Sprint 2013 third quarter results conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions). Thank you.

I would now like to turn the call over to Brad Hampton, Vice President of Investor Relations. You may begin your conference.

Brad Hampton

Thank you, Molly. Good morning, everyone and welcome to Sprint's third quarter 2013 earnings call. On today's call, Dan Hesse will discuss operational performance in the quarter. Steve Elfman will provide an update on Network and Joe Euteneuer will cover our financial results. After that, we will open the call up to your questions.

Before we get underway, let me remind you that our release, quarterly investor update and presentation slides that accompany this call are all available on the Investor Relations page of the Sprint's website.

Slide 2 is our cautionary statement. I do want to point out that in our remarks this morning, we will be discussing forward-looking information, which involves a number of risks and uncertainties that may cause actual results to differ materially from our forward-looking statements. We provide a comprehensive list of risk factors in our SEC filings, which I encourage you to review, including Sprint Nextel's Annual Report on Form 10-K, our quarterly report on Form 10-Q for the second quarter of 2013 and when filed, our quarterly report on Form-Q for the third quarter of 2013.

Turning to Slide 3, throughout our call, we will refer to several non-GAAP metrics. Reconciliations of our non-GAAP performance and liquidity measures to the appropriate GAAP measures for the third quarter can be found in the

attachment to our earnings release and also at the end of today's presentation, which are available on our website at www.sprint.com/investors.

As I indicated on last quarter's call, we are providing financials for our predecessor period from July 1st through closing of the SoftBank transaction on July 10th, and on a successor basis for the period from July 11th going forward. In order to present financial results in a way that offers investors a meaningful calendar period-to-period comparison, we have combined the current results of operations for the predecessor and successor. These periods are broken out in the tables that accompany our earnings results, however the rest of the remarks made today will be in reference to the combined results unless otherwise noted.

Please refer to the notes in the tables that accompany our earnings results for a more comprehensive discussion regarding the basis of presentation for the predecessor and successor periods.

Let's move on to Slide 4. Net income of $383 million for the third quarter was impacted by a few noteworthy items this quarter that I would like to cover. First, in connection with our acquisition of Clearwire, we recorded a $1.4 billion gain, net of taxes which represented a non-cash unrealized gain for the difference between the estimated fair value and the carrying value of our previously held equity interest in Clearwire.

Total depreciation and amortization expense of approximately $1.5 billion for the quarter was relatively flat to last quarter. While we did see depreciation come down approximately $400 million due to the Nextel network assets being fully depreciated in the second quarter amortization expense was up approximately $400 million as a significant portion of the preliminary purchase price was allocated to definite life intangible assets, which primarily relate to our customer relationships. We expect total depreciation and amortization in the fourth quarter to be approximately $1.5 billion. Finally, there were $119 million of costs associated with the closing of the Softbank and Clearwire transactions and $98 million related severance and lease exit costs.

Net tax expense was approximately $1.6 billion in the third quarter, largely due to the non-recurring gain associated evaluation of Clearwire that I just mentioned. We expect net tax expense for the fourth quarter to be approximately $80 million. Lastly, although Clearwire's financial results are now consolidated with Sprint and included in today's presentation, its standalone financial results will be available on our website in the next couple of weeks as required by their debt covenant.

I will now turn the call over to Sprint's CEO, Dan Hesse.

Dan Hesse

Thank you, Brad. Good morning. It's 5 am here in Birmingham, California. We appreciate you joining us this morning and thanks for your ongoing interest and support. This marks our first quarter of operations after closing our transformative transactions with both, SoftBank and with Clearwire. Let me recap some highlights from the quarter before discussing results in the framework of our three top priorities generating cash, improving customer experience and strengthening the Sprint brand.

Turning to slide six. Driven by all time record Sprint platform postpaid ARPU, total wireless service revenues of over $7.3 billion are up year-over-year for the thirteenth consecutive quarter. Adjusted EBITDA of $1.34 billion grew 5% year-over-year despite significant headwinds associated with the loss of revenue due to the shutdown of the Nextel platform, as well as the diluted impacts from the SoftBank and Clearwire transactions.

We sold nearly 5 million smartphones in the quarter, with highest-ever Sprint platform postpaid handsets sales mix of 92% of those sales being smartphones. We launched innovative new pricing programs during the quarter including the nation's only guaranteed for life unlimited plan, and the new Sprint One Up program giving customers the ability to upgrade their phones annually under an installment billing plan for device. We have the highest prime mix percentage in our postpaid base in over three years. Finally, we logged another quarter of progress on our network modernization and remained on track to deliver 200 million LTE covered POPs by the end of this year.

Please turn to slide seven. We ended the third quarter with cash, cash equivalents and short-term investments of $7.5 billion. We had a very successful capital raising quarter and were pleased with our current liquidity profile, even given the investments we have been making in the network. Revenue growth in the Sprint platform continues to be a good story for us as we delivered year-over-year growth in postpaid, prepaid and wholesale and other revenues, with total Sprint platform wireless service revenue up almost 4% compared to the year ago quarter.

Sprint platform postpaid ARPU grew on a year-over-year basis for the twelfth consecutive quarter and reached $64.28 in the quarter, an all-time best. Adjusted EBITDA of $1.34 billion grew 5% compared to Q3 of 2012 and adjusted EBITDA margin is up almost a full percentage point from last year, but good result given the significant headwinds we faced in the quarter. For example, the revenue contribution from the Nextel platform is down by over

$400 million year-over-year, and as Joe will walk you through shortly, we had close to $200 million of dilution associated with transaction impacts in the quarter.

For the first time this quarter, we are seeing the cost reductions from the Nextel platform shutdown. That benefit, in combination with the growth of Sprint platform retail subscribers and higher postpaid ARPU year-over-year, allowed us to offset those headwinds and still deliver year-over-year growth in adjusted EBITDA.

Please turn to slide eight and the customer experience. I am pleased to report that records continue to fall in our customer care operations. For the nineteenth consecutive quarter or for almost five straight years, we have delivered quarterly year-over-year declines in both care calls per postpaid customer and in customer care credits granted to our postpaid customers. Both measures hit best ever third quarter levels this year. These accomplishments have driven billions of dollars in cost savings for the company over the last few years and we continue to look for new opportunities to become even more efficient as we transform the customer experience.

As I said on the last couple of calls, in spite of some near-term network pressures, we continue to believe that the improvements we are delivering in our customer experience and the significant improvements underway in our network will provide a foundation for future churn improvement. In the third quarter, our Sprint platform postpaid churn remained elevated as we continued to experience service impacts associated with the rip out and replacement of our entire network and competitive pressure in the enterprise account market segment associated with our smaller LTE footprint.

Additionally, as mentioned on our last call, we saw a considerable number of disconnects on our Sprint platform related to joint corporate accounts that disconnected their Nextel service in the last few days of the second quarter. We do expect some additional carryover impact from the Nextel shutdown in the fourth quarter on Sprint platform churn, although smaller than the impact in Q3. We also expect competitive and Network Vision construction related pressures to continue until approximately mid-2014.

We therefore expect Sprint platform postpaid churn to remain at its current elevated levels for the next couple of quarters and then to begin to make gradual sequential improvements. In cities like Chicago, where our Network Vision build is more than 70% complete. We are seeing significant improvements, not only in churn, but also in gross adds, compared to earlier months when customers were experiencing the pardon our dust phase of our Network Vision deployment.

Turning to Slide 9. The initial launch for One Up was only for prime customers and only in Sprint company-owned distribution channels with advertising not beginning until very recently, so it's too early to comment on what its eventual impact might be. We expect the overall uptick on the program to grow as we expand channel availability. With the launch, we have observed a lift in our tablet sales volumes as customers take advantage of the installment feature for higher priced devices.

Our overall Sprint postpaid gross add volumes were relatively flat compared to Q2 and we expect a seasonal increase in Q4 during the holiday season. Getting the network healthy is crucial to our gross add investments and effectiveness and you will be hearing more about our network advances later today.

Turning to Slide 10, as mentioned, we sold almost 5 million smartphones in the quarter, including nearly 1.4 million iPhones with 40% of iPhone activations being new gross adds. We are seeing continued high demand for the new iPhone models and are in a constrained inventory position on the most popular color and memory configurations for the 5S. We have waiting lists for some models.

We continue to be pleased with our prepaid portfolio of brands as we delivered over 10% year-over-year growth in Sprint platform prepaid gross add volumes in Q3 and look forward to sequential net add growth in Q4.

Later today, we will announce groundbreaking advancements in network and device technology. I have joked that our Network Vision project has been like the last pig's brick house in the story of The Three Little Pigs. It has been a very complex and it's been very hard work to take down the Nextel network and to rip out and replace the entire Sprint 3G network in order to build a flexible platform running 4G LTE on three spectrum bands with the network architecture flexibility to add even more frequencies in the future.

We are finally turning the corner on this massive project and seeing the light at the end of the tunnel.

On the subject of network now, I will turn the call over to Steve Elfman, who will give you an update on our Network Vision products. Steve?

Steve Elfman

Thanks, Dan. Please turn to slide 12. I would like to give you an update on Network Vision progress and better understanding of our plans. We continued our steady pace through the third quarter and now have over 26,000 sites on air with over 35,000 sites or more than 90% of Sprint sites completed or under construction. We launched 4G LTE in 130 markets and continue to target approximately 200 million LTE POPs by the end of the year and expect to complete our 1.9 gigahertz network modernization by mid-next year.

Slide 14 please? Our plan is to build a multi-band LTE network that includes our 1.9 gigahertz overlaid by 800 megahertz and 2.5 gigahertz to provide greater coverage, speed and capacity. We expect to use a capital efficient mix of various bands based on factors such as geography and capital needs, the capacity needs.

We continue to free up our low band 800 megahertz following the Nextel shutdown and expect this to improve the performance and coverage of our network. We began deployment of voice services on the 800 megahertz band in the first quarter and now have sites on air at approximately nearly two-thirds of our markets. Also, more than 40% of our postpaid base has 800 megahertz voice capable devices. Furthermore, we are starting to turn up the 800 megahertz LTE radios on our sites this quarter in multiple markets where we have spectrum re-banding complete.

The third layer to the network will be the high band 2.5 gigahertz spectrum that we acquired in the Clearwire transaction which improves speed and capacity. As we have said previously, we expect to complete the 5,000 LTE sites the Clearwire had under construction this year. As we move into next year, we will continue to expand the rollout of 2.5 gigahertz on selected sites across our existing network.

In July of this year, we introduced tri-band data devices and plan to launch handsets before the holidays. We expect that going forward all of our postpaid smartphone launches will be tri-band supporting active hand outs across all bands and ensuring data session continuity. While we remain focused on completing the core Sprint network modernization, we are excited about the enhanced capabilities that our multi-band network will provide. We are committed to building a competitive network and we will continue to evolve our network over the next few years to become a leader in the industry.

I will now turn it over to Joe to go through the financials.

Joe Euteneuer

Thank you, Steve and thanks, everyone for being here today. The third quarter was a transitional period for our company, as we shifted focus away from the Nextel shutdown effort and made plans to what our future will look like with the new assets and expertise we have in place from closing the SoftBank and Clearwire transactions. While we certainly faced our share of challenges this quarter, delivering solid financial results remained a priority for the company. With the heavy investments we are making in our network, our disciplined approach for growth remains essential.

Moving to slide 16. Our Sprint platform postpaid business continued to show year-over-year growth in revenues during the third quarter. Sprint platform postpaid service revenue of $5.8 billion was flat sequentially and grew 4% year-over-year even when including the dilutive impacts of purchase price accounting that I will discuss in more detail later. Our Sprint platform postpaid net losses of 360,000 were admittedly higher than we would like. We are maintaining discipline in our customer acquisition, as our prime mix of gross adds was the highest in almost three years. Sprint platform postpaid churn of 1.99% in the third quarter was up 11 basis points year-over-year and 16 basis points sequentially.

While we typically see a sequential increase in the third quarter due to normal seasonality, this was exacerbated by the issues Dan discussed. However, we are encouraged that the prime mix of our base has grown for six consecutive quarters and reached its highest level since second quarter of 2010.

The Clearwire transaction closed on July 9 and we acquired approximately 1.6 million customers across our postpaid, prepaid and wholesale categories. While Clearwire retail operations haven't shutdown, we continue to serve the existing customers. We also moved approximately 32,000 of the customers acquired in the U.S. Cellular transaction to the Sprint platform during the third quarter and have only 84,000 customers still remaining on the U.S. Cellular network. We will continue to work to recapture these customers in the coming months and we expect this effort to be largely complete by year end.

Moving to ARPU. Record Sprint platform postpaid ARPU of $64.28 in the third quarter was slightly up sequentially and grew 2% year-over-year even when including the non-cash dilutive effect of approximately $0.32 as a result of the purchase price allocation. As a reminder, purchase price economy rules required us to eliminate the deferred revenue balances associated with upfront activation and upgrade fee payments received by us in prior periods. However, this impact was completely offset by the non-cash elimination of the related deferred cost and thus had no net effect on adjusted EBITDA.

The year-over-year ARPU growth was driven by three items. First, continued smartphone penetration as 81% of the postpaid handset base is now on a smartphone. Second, by changes in our insurance program pricing that were implemented in the first quarter this year. Finally, by ongoing initiatives aimed at reducing customer discounts and credits. While we expect similar non-cash dilutive impacts to ARPU from purchase price accounting in the fourth quarter, we also expect some pressure from the effects of the Sprint One Up installment billing offering and expect that ARPU on the Sprint platform maybe flat to slightly down.

Let's move on to our Sprint platform prepaid business on slide 17. As expected, as to the lifeline net subscriber loss impact in the second quarter, we returned to the subscriber growth in the third quarter with net prepaid customer additions of 84,000. Sprint platform prepaid service revenues in the third quarter were also up 3% year-over-year representing the fifteenth consecutive quarter of year-over-year growth and would have been up over 11% year-over-year, if not for a possibly $100 million of one time non-cash dilutive effects associated with purchase price accounting, however unlike Sprint platform postpaid ARPU, we do not expect any additional impact to prepaid revenue going forward.

Our Sprint platform wholesale and affiliate business also returned to subscriber growth with net customer additions of 181,000 in the third quarter as a targeted effort by our wholesale MVNOs to eliminate inactive accounts in their base, was largely completed in the second quarter. Wholesale, affiliate and other revenue grew 8% from the year ago period and has been up year-over-year for 11 consecutive quarters.

Please turn to Slide 18. Consolidated adjusted EBITDA of over $1.34 billion was up $64 million from the year ago period and down $81 million from the second quarter. We achieved significant expense reductions from shutting down the Nextel platform, but also lost revenue from the Nextel subscribers that we were not able to recapture.

While Sprint platform postpaid sales volumes and their associated costs were down from last year, we have also grown the overall Sprint platform retail subscriber base. Additionally, we have been able to offset most of the growth in postpaid subsidy rates and the additional Sprint network modernization spend by growing postpaid and prepaid ARPUs when excluding purchase price accounting impacts, thus our consolidated EBITDA before transaction impacts grew almost 20% year-over-year.

As I indicated last quarter, our adjusted EBITDA results this quarter were going to be negatively impacted by the consolidation of Clearwire operations along with the non-cash purchase accounting impacts of both, the SoftBank and Clearwire transactions. These impacts were approximately a $185 million in total for the third quarter with approximately a $125 million being related to the non-cash net effect of purchase accounting, such as the elimination of deferred revenue, deferred cost and deferred rent.

While there will continue to be in an impact from purchase accounting on various P&L line items going forward, we do not expect a net impact to adjusted EBITDA to be material. The remaining $60 million of dilutive impact to adjusted EBITDA in the third quarter was related to the consolidation of Clearwire operations and we expect the impact in the fourth quarter to be slightly higher as it will incorporate a full quarters worth of activity.

Let's move onto our wireless operating expenses on Slide 19. Total wireless cost of service of $2.3 billion in the third quarter was up $35 million, sequentially, and up $71 million from the third quarter of 2012. While cost of service was relatively flat from both, the sequential and year-over-year perspective, there were several material items that I would like to discuss.

Sequentially, we did see approximately $160 million of reduced expenses, net of decommissioning cost, primarily related to charges recorded in prior periods associated with the shutdown of the Nextel network, however these savings were largely offset by approximately a $140 million of net expenses associated with consolidating Clearwire operations as we took on additional operating expenses and spectrum leases, but eliminated our rolling payments to Clearwire.

We also had a sequential increase related to our continued Sprint network modernization spend. The year-over-year story is similar. With approximately a $185 million of lower Nextel network expenses, net of decommissioning costs and lower service and repair cost is being offset by the consolidation of the Clearwire operations and our Sprint network modernization spend.

Moving to subsidy expense. Total wireless net subsidy for the third quarter was approximately $1.4 billion, which was down $35 million, sequentially, and a 109 million year-over-year, while postpaid subsidy rates have continued to increase with the higher smartphone sales mix, the sequential and year-over-year declines were primarily driven by fewer upgrades as we were no longer migrating Nextel customers to the Sprint platform in the quarter. With the seasonally higher selling activity of the fourth quarter, we expect our postpaid upgrade rate of 7% of the base in the third quarter to increase sequentially.

Switching to SG&A expenses, total third quarter wireless selling, general and administrative cost of approximately $2.4 billion were up $79 million year-over-year and $62 million, sequentially, primarily due to the inclusion of Clearwire. Sequentially, we did also see higher seasonal bad debt and lower marketing expenses. Year-over-year, we also saw lower customer care cost, mostly driven by reductions in calls.

Wireline adjusted EBITDA for the third quarter of $132 million was flat sequentially and down $26 million from the year ago period, mostly driven by lower inter-company revenue from the wireless segment. The annual resetting of our inter-company transfer rates to reflect current market prices and the elimination of Nextel Network backhaul circuits, both of which are neutral to consolidated adjusted EBITDA were the main drivers of the inter-company revenue decline. We expect Wireline adjusted EBITDA to be down sequentially in the fourth quarter as cable migration connectivity accelerates and continue to expect full year Wireline adjusted EBITDA to be approximately $450 million.

Moving to cash and liquidity on slide 20. We had several notable events that impacted our liquidity and capital structure this quarter. Upon closing the Clearwire transaction on July 9, we paid $3.8 billion to purchase all of the outstanding shares that we didn't already own, assumed approximately $4.3 billion of Clearwire debt, and received approximately $600 million of cash which will be used to support Clearwire operations and interest cost.

When the SoftBank transition closed on July 10, we received $1.9 billion equity infusion and the $3.1 billion convertible bond was automatically converted into shares of Sprint thereby reducing long-term debt by the same amount.

In September, we raised the total of $6.5 billion of debt with $2.25 billion of maturities due in 2021 and $4.25 billion of maturities due in 2023. Also as we announced last week, we called the remaining balance of the Clearwire 2015 and 2017 notes in December. We purchased approximately $400 million of the 2015 bonds during the third quarter.

We ended the third quarter with a total liquidity position of $9.6 billion including cash, cash equivalents and short-term investments of $7.5 billion and $2.1 billion of undrawn borrowing capacity under our revolving bank credit facility. We also have $174 million of expected future liquidity from our secured equipment credit facility as we drew down $326 million from the second tranche during the quarter and we have reached an agreement with our vendors to work with us on securing additional equipment financing. Additionally, we have approximately $3.1 billion of restricted cash on our balance sheet this quarter and that is earmarked for the aforementioned Clearwire debt retirements. With a desire to accelerate network investments and position the business for future growth, we will continue to appropriately manage our capital structure and position ourselves to have adequate liquidity to operate the business and fund these investments.

With the network builds remaining on track, capital expenditures were over $1.8 billion in the third quarter and now include the Clearwire capital spend as well. As expected, Network Vision related CapEx of approximately $1.3 billion was down sequentially due to fewer construction starts as we have begun construction on nearly all sites and expect that Network Vision related CapEx will continue to decline as we move towards completion of the project.

Free cash flow was negative $909 million for the quarter compared to negative $478 million for the third quarter of 2012 and negative $404 million for the second quarter of 2013. With adjusted EBITDA and total capital expenses remaining relatively flat, the sequential decline was mostly related to higher payables associated with the network build and the Nextel Network decommissioning cost. Free cash flow in the fourth quarter is expected to be down sequentially as we experienced seasonally lower adjusted EBITDA and continue our elevated CapEx spend.

I would now like to discuss guidance for the rest of 2013. While the majority of dilutive impacts from the purchase price accounting were realized in the third quarter, we still expect similar to slightly higher dilution to adjusted EBITDA from the consolidation of Clearwire operations in the fourth quarter. However, we continue to expect consolidated adjusted EBITDA for 2013 to be approximately $5.1 billion to $5.3 billion.

We also continue to expect total capital expenditures to be close to $8 billion for the year. We are finalizing the budget for 2014 and expect to give additional guidance for the next year on our next earnings call.

In closing, I would like to reiterate the Vision Dan discussed for what the future of Sprint can hold. With the SoftBank and Clearwire transactions closed, we have the assets in place to be a strong competitor in our industry and it's all about execution right now. I am confident in the employees at Sprint will be able to make the vision a reality.

I will turn the call over to Brad for Q&A.

Brad Hampton

Thank you, Joe. In just a minute, Molly will instruct our listeners on how to queue up for the question-and-answer session.

I want to point out that you may access an audio replay or a webcast of our presentation on www.sprint.com/investors. We will now open the line for your questions. Molly, please instruct our participants.

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from the line of Brett Feldman.

Brett Feldman - Deutsche Bank

Thanks for taking the question. I want to go back to something Steve said earlier when he was talking about plans going into next year. He mentioned that you would be looking to deploy your 2.5 gigahertz spectrum into select sites within the existing Sprint Network. I think a lot of investors had assumed you would be pursuing a more dense deployment of that spectrum in light of its propagation characteristics, so I know that you are probably going to me some more color going ahead, but maybe just as a general sense, could you give us some thoughts on the broad strategy for how you intend to take advantage of those recently acquired spectrum there? Thanks.

Dan Hesse

Yes, Brett when I was talking about selective area, we want to be very aggressive in our deployment across the country. When I selected, we look at those urban markets where we see capacity needs and where we want to get more dense within the city, so I haven't put out how many sites and where, but we want to be aggressive next year, not only with the current Clearwire build, but building it on our own sites both, macro and with small cells into the future, so you will hear more about this later from us.

Brett Feldman - Deutsche Bank

Do you anticipate that you are going to trying to use that across your entire network? If not how do you think about or just in general, some of the other opportunities to add even more spectrums to your portfolio going forward. You know have an HVAC option coming up in January, it is where spectrum is available you are interested in that, AWS 3 broadcast. Do you feel like it's going to be important to your Spectrum strategy going forward actually layer in more mid and low band spectrum?

Dan Hesse

This is Dan. We clearly have a strong spectrum position now with 120 megahertz of Clearwire spectrum in 90% of the top 100 markets, plus our 1.9 plus 800. We will look at the spectrum auctions as spectrum becomes available. One of the things that was so important about this architecture. It is that we could add additional bands of spectrum, so we saw that. We could also potentially partner with other owners of spectrum in creative ways and deploy that on our network for additional capacity or other capability, so I used the analogy of the three little pigs network and the complexity associated with kind of ripping up and replacing the entire network to give us that flexibility going forward. But it does give us that, so we have a lot of options and we will consider them.

Operator

Your next question comes from the line of Michael Rollins. Michael, your line is now open.

Michael Rollins - Citigroup

Thanks. Sorry about that and thanks for taking the question. Back to the Network question, again, can you quantify for us if you were to look at the proxy and I think if I heard the numbers correctly, it was something like $8 billion in CapEx this year, maybe next year reports to come down after that.

Could you give us a sense of what is built into those numbers and what do you get for that? Do you get the Vision that virtually out plus 800, plus 2.5, or doing a portions of that, maybe just some thoughts can get a portion into that.

Maybe just some thoughts on what's in there and maybe what the flex points would be depending on how aggressive you want to be with the densification and the overlay of the network? Thanks.

Dan Hesse

Well, first of all, we haven't provided specific guidance for CapEx going forward. We are not doing that today. But you are exactly right, Michael. There are some numbers that we provided to investors in things like the proxy. We currently have a total of about 55,000 cell sites. This gets back to the earlier question as well. And you should expect that number of macro sites, I am talking macro only because Steve talked about the potential addition of smaller cells

to remain relatively flat for the next few years, we are deploying LTE aggressively on the 1.9 spectrum and we expect to be, as Steve indicated in his comments, to have about 200 million POPs finished by the end of the year.

Of course, we will increase the number of POPs available on that spectrum by mid year. We are just beginning to deploy LTE on 800, we have been deploying it on voice for quite a while. And we, of course, are focusing first on deploying 2.5, as Steve indicated, in those dense urban markets where we can use it for speed and especially capacity. So that's our initial priority.

We will be providing more guidance for the year 2014 after the fourth quarter of 2013 on the earnings call which is our normal practice and I think I can give you more then.

Michael Rollins - Citigroup Investment Research

Thanks very much.

Operator

Your next question comes from the line of Jonathan Chaplin.

Jonathan Chaplin - New Street Research

Thanks. I am wondering if I could just follow up on Brett's question on the network strategy. So I think we are all looking forward to the point in time where Sprint has a really compelling network advantage over everybody else with a lot more capacity and faster speeds than AT&T and Verizon. And in order to get there, in my mind it seems like a very dense deployment of 2.5 gigahertz spectrum is what gets you there. It sounds like from your comments Steve, that what you are talking about is more of a hotspot deployment, with 2.5 only in dense markets. Is that what you meant to express? And if so, how do we -

Steve Elfman

No.

Jonathan Chaplin - New Street Research

Right. Go ahead.

Steve Elfman

Sorry, Jonathan. No, then I expressed myself incorrectly. Today it was a hotspot market as when we just did it with Clearwire. But our approach will be to really densify and really, in the urban areas first, to be able to get the speed and the capacity in those areas. But now the goal is to build out 2.5 and use that 120 megahertz across the nation. So now if I left the impression with you that it's only a hotspot then that's incorrect.

Dan Hesse

Jonathan, this is Dan. I will add to the comment. Yes, Steve expressed it well. It's really a priority in a sequencing. So we got started first on 1.9, then we got started on the 800 and because the Clearwire transaction took us longer to complete than we had anticipated before we could take, if you will, control of that spectrum. It's starting later. So as Steve indicated at the beginning, it's just traditionally it's just been hotspots.

We are going to be talking more about it later today but it is going to be a focus on a national rollout but obviously the urban area, as the big markets will get it first. So if you will, in terms of speed of deployment or footprint, you will see the 1.9 LTE footprint being done first and typically have the most POPs covered followed by 800, then followed by 2.5. So it will take some time for the 2.5 POP coverage to catch up to the pop coverage of, lets say 1.9.

Jonathan Chaplin - New Street Research

And by the end of '14 Dan, how much of your footprint you could have covered with 2.5?

Dan Hesse

We expect to be roughly a 100 million POPs covered with 2.5 at the end of '14.

Jonathan Chaplin - New Street Research

Great. Thanks.

Operator

Your next question comes from the line of Colby Synesael.

Colby Synesael - Cowen and Company

Great, thank you. I wanted to talk about your expectations around marketing and how that might tie into the goal of hitting the 200 million POPs with LTE? I think the expectation is that once you hit that mark, we could start to see you would be more aggressive and perhaps change some of your plans, so I guess two questions there. One, is it correct to assume that that's the number one you guys might expect to actually implement a different marketing campaign? If that is correct, how aggressive could that campaign be? Do you think that it's just the minor tweaks to which you are already doing, would you should we expect to see some pretty meaningful changes and how you actually go about marketing yourself? Thanks.

Dan Hesse

Basically, our marketing plan from a messaging perspective right now is really three-fold. One is, on one up and the $65 price point, which we think is a compelling price point for the first-line for customers and as we have indicated it has only been available in our own channels and the prime customers and our plan is of course to enhance distribution, which will make that more meaningful.

Number two, unlimited for life. I think that's a strong message as well. Third, in places like Chicago, which I referenced earlier, in markets where our customers have experienced some significant network issues in the last year is once we have got gotten to roughly let's say 70% completion on Network Vision to go tell those customers that the network has improved and to have them try it and have new customers try it, because as indicated it affects both, churn and gross adds and there is typically a lag between gross adds and churn as you noticed. Churn I think positively and negatively, fairly quickly from your existing customers and gross adds lag that, so messaging network improvements is very important. That will be an important part of our messaging architecture going forward.

Now that we are getting majority complete, our Network Vision in a number of markets across the country is on a more local basis is to bring out a stronger network message, because we have a good story to tell.

Colby Synesael - Cowen and Company

Is it fair to assume though that once you hit the $200 million top mark that we should start to expect you ramp up that the noise level too around those things? Is there any color on how the unlimited for life has actually been doing so far?

Dan Hesse

Well, I am not going to say specifically and it's not necessarily tied up to national POPs. When we ramp up certain messages, but unlimited for life, we believe is a very good message and I will be describing. I think it's the notion of unlimited is much more than just a rate plan and I will just leave it at that.

People tend to think about it, it's just a rate plan and it is more than that, so this was an important thing for us to do, and of course not coincidental that we announced unlimited for life I think like the day after the Clearwire transaction closed. We feel confident that we have the network architecture and spectrum capabilities in place to be able to differentiate around the capability like that.

Operator

Your next question comes from the line of Jennifer Fritzsche.

Jennifer Fritzsche - Wells Fargo

Thank you for taking the question. I just wanted to ask a little bit about wholesaling or partnerships with your current network. Obviously, you have a more spectrum than any of those big four and just your current thoughts on possibly sharing that with some other providers?

Joe Euteneuer

Jennifer, this is Joe. I think, look we have been clear that our ability to partner with somebody, you are talking about the use of multi-modal technology in hosting someone else's spectrum, all of those things we have been very open about. Steve get it.

Steve Elfman

Yes. Hi, Jennifer. When the wholesale business has and it will continue to be very important to us and what we will offer to our wholesale partners is all our spectrum bands, and the work that we have been doing to get the appropriate devices in place will be made available to our wholesale partners to help grow that business.

Jennifer Fritzsche - Wells Fargo

Perfect. Thank you very much.

Operator

Your next question comes from the line of Phil Cusick

Phil Cusick - JPMorgan

Hi, guys. Thanks. I guess for Joe. First can you help us quantify or sort of size them, how much of the losses in the third quarter were driven by that iDEN hangover corporate customers disconnecting?

Then second. In the mean time, until we get to the point where the construction pressures start to ease, can you talk to us about the cost cutting that can be done in the mean time? Whether that's Sprint on its own or leveraging the SoftBank relationship against some of the very big vendors that the companies have in common? Thanks.

Dan Hesse

Yes. So I mean, look, the cost cutting is something that we work out everyday. I mean that's something that has been in existence and continues to be in existence and helps create more dollars availability for marketing, et cetera. So that discipline Dan put in the company far before I got here, and all I have done is carried it on. Dan, do you want to take the other one.

Dan Hesse

Yes. Hi, Phil. Dan here. The impact of the network and in particular the mixed accounts are that for those on the call that have may not understood it, we needed to shut iDEN network down on the June 30, and we were quite successful compared to the plan in re-capturing 40% of those, if you will, those customers but we lost 60% and most companies were mixed in that. You had iDEN subscribers, typically the over simplified, the blue collar workers, white collar workers would be on the Sprint platform. If we lost the account, Nextel or iDEN customers came off in June and then the Sprint customers come up in the second half, both Q3 and Q4. The impact on the third quarter was quite significant, Phil.

Phil Cusick - JPMorgan

And as you said on the call, it will be less significant in the fourth quarter though?

Dan Hesse

Pardon?

Phil Cusick - JPMorgan

You said on the call, it would less significant 4Q, is that right?

Dan Hesse

Correct. That's right. So they will come up in Q3 and Q4 but a bigger hit in Q3 than in Q4, as you would expect.

Phil Cusick - JPMorgan

Okay. Thanks, Dan.

Brad Hampton

Operator, we have time for one more question, please.

Operator

Final question comes from the line of Tim Horan.

Tim Horan - Oppenheimer

Thanks, guys. Can you talk a little bit of what kind of coverage and speeds you are getting when you have both, the combination of LTE and the 2.5 gigahertz deployed? And maybe more importantly, are you seeing any change in patterns in terms of customer usage on those networks? Are they materially using it a lot more? Thanks.

Steve Elfman

Yes, this is Steve. A couple of things. In the 1.9 on LTE, as we have said, we are seeing consistently about 6 to 8 megabits per second. And on 2.5 where it's deployed currently from the original Clearwire build, we are seeing in upwards to 40 and 50 megabits peak speeds right now. 50 to 60, I am sorry. 50 to 60 megabits peak speeds in those cities where it's been built.

And the final question, in terms of growth in data, I think we are all seeing a lot of growth in data and when you have faster speeds you use it more and we are seeing significant growth across both for LTE bands.

Tim Horan - Oppenheimer

Thank you.

Brad Hampton

Thank you everyone for your participation in our call today. If you have additional questions, please contact Sprint's Investor Relations team at 1-800-259-3755. This concludes our call.

Operator

Thank you for participating in today's conference call. You may now disconnect.

Executives

Brad Hampton - Vice President of Investor Relations

Dan Hesse - Chief Executive Officer

Joe Euteneuer - Chief Financial Officer

Steve Elfman - President of Network, Technology and Operations

Analysts

Brett Feldman - Deutsche Bank

Michael Rollins - Citigroup

Jonathan Chaplin - New Street Research

Colby Synesael - Cowen and Company

Jennifer Fritzsche - Wells Fargo

Phil Cusick - JPMorgan

Tim Horan - Oppenheimer

Sprint Corporation (S) Q3 2013 Earnings Call October 30, 2013 8:00 AM ET

Operator

Good morning. My name is Molly and I will be your conference operator today. At this time, I would like to welcome everyone to the Sprint 2013 third quarter results conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions). Thank you.

I would now like to turn the call over to Brad Hampton, Vice President of Investor Relations. You may begin your conference.

Brad Hampton - Vice President of Investor Relations

Thank you, Molly. Good morning, everyone and welcome to Sprint's third quarter 2013 earnings call. On today's call, Dan Hesse will discuss operational performance in the quarter. Steve Elfman will provide an update on Network and Joe Euteneuer will cover our financial results. After that, we will open the call up to your questions.

Before we get underway, let me remind you that our release, quarterly investor update and presentation slides that accompany this call are all available on the Investor Relations page of the Sprint's website.

Slide 2 is our cautionary statement. I do want to point out that in our remarks this morning, we will be discussing forward-looking information, which involves a number of risks and uncertainties that may cause actual results to differ materially from our forward-looking statements. We provide a comprehensive list of risk factors in our SEC filings, which I encourage you to review, including Sprint Nextel's Annual Report on Form 10-K, our quarterly report on Form 10-Q for the second quarter of 2013 and when filed, our quarterly report on Form-Q for the third quarter of 2013.

Turning to Slide 3, throughout our call, we will refer to several non-GAAP metrics. Reconciliations of our non-GAAP performance and liquidity measures to the appropriate GAAP measures for the third quarter can be found in the attachment to our earnings release and also at the end of today's presentation, which are available on our website at www.sprint.com/investors.

As I indicated on last quarter's call, we are providing financials for our predecessor period from July 1st through closing of the SoftBank transaction on July 10th, and on a successor basis for the period from July 11th going forward. In order to present financial results in a way that offers investors a meaningful calendar period-to-period comparison, we have combined the current results of operations for the predecessor and successor. These periods are broken out in the tables that accompany our earnings results, however the rest of the remarks made today will be in reference to the combined results unless otherwise noted.

Please refer to the notes in the tables that accompany our earnings results for a more comprehensive discussion regarding the basis of presentation for the predecessor and successor periods.

Let's move on to Slide 4. Net income of $383 million for the third quarter was impacted by a few noteworthy items this quarter that I would like to cover. First, in connection with our acquisition of Clearwire, we recorded a $1.4 billion gain, net of taxes which represented a non-cash unrealized gain for the difference between the estimated fair value and the carrying value of our previously held equity interest in Clearwire.

Total depreciation and amortization expense of approximately $1.5 billion for the quarter was relatively flat to last quarter. While we did see depreciation come down approximately $400 million due to the Nextel network assets being fully depreciated in the second quarter amortization expense was up approximately $400 million as a significant portion of the preliminary purchase price was allocated to definite life intangible assets, which primarily relate to our customer relationships. We expect total depreciation and amortization in the fourth quarter to be approximately $1.5 billion. Finally, there were $119 million of costs associated with the closing of the Softbank and Clearwire transactions and $98 million related severance and lease exit costs.

Net tax expense was approximately $1.6 billion in the third quarter, largely due to the non-recurring gain associated evaluation of Clearwire that I just mentioned. We expect net tax expense for the fourth quarter to be approximately $80 million. Lastly, although Clearwire's financial results are now consolidated with Sprint and included in today's

presentation, its standalone financial results will be available on our website in the next couple of weeks as required by their debt covenant.

I will now turn the call over to Sprint's CEO, Dan Hesse.

Dan Hesse - Chief Executive Officer

Thank you, Brad. Good morning. It's 5 am here in Birmingham, California. We appreciate you joining us this morning and thanks for your ongoing interest and support. This marks our first quarter of operations after closing our transformative transactions with both, SoftBank and with Clearwire. Let me recap some highlights from the quarter before discussing results in the framework of our three top priorities generating cash, improving customer experience and strengthening the Sprint brand.

Turning to slide six. Driven by all time record Sprint platform postpaid ARPU, total wireless service revenues of over $7.3 billion are up year-over-year for the thirteenth consecutive quarter. Adjusted EBITDA of $1.34 billion grew 5% year-over-year despite significant headwinds associated with the loss of revenue due to the shutdown of the Nextel platform, as well as the diluted impacts from the SoftBank and Clearwire transactions.

We sold nearly 5 million smartphones in the quarter, with highest-ever Sprint platform postpaid handsets sales mix of 92% of those sales being smartphones. We launched innovative new pricing programs during the quarter including the nation's only guaranteed for life unlimited plan, and the new Sprint One Up program giving customers the ability to upgrade their phones annually under an installment billing plan for device. We have the highest prime mix percentage in our postpaid base in over three years. Finally, we logged another quarter of progress on our network modernization and remained on track to deliver 200 million LTE covered POPs by the end of this year.

Please turn to slide seven. We ended the third quarter with cash, cash equivalents and short-term investments of $7.5 billion. We had a very successful capital raising quarter and were pleased with our current liquidity profile, even given the investments we have been making in the network. Revenue growth in the Sprint platform continues to be a good story for us as we delivered year-over-year growth in postpaid, prepaid and wholesale and other revenues, with total Sprint platform wireless service revenue up almost 4% compared to the year ago quarter.

Sprint platform postpaid ARPU grew on a year-over-year basis for the twelfth consecutive quarter and reached $64.28 in the quarter, an all-time best. Adjusted EBITDA of $1.34 billion grew 5% compared to Q3 of 2012 and adjusted EBITDA margin is up almost a full percentage point from last year, but good result given the significant headwinds we faced in the quarter. For example, the revenue contribution from the Nextel platform is down by over $400 million year-over-year, and as Joe will walk you through shortly, we had close to $200 million of dilution associated with transaction impacts in the quarter.

For the first time this quarter, we are seeing the cost reductions from the Nextel platform shutdown. That benefit, in combination with the growth of Sprint platform retail subscribers and higher postpaid ARPU year-over-year, allowed us to offset those headwinds and still deliver year-over-year growth in adjusted EBITDA.

Please turn to slide eight and the customer experience. I am pleased to report that records continue to fall in our customer care operations. For the nineteenth consecutive quarter or for almost five straight years, we have delivered quarterly year-over-year declines in both care calls per postpaid customer and in customer care credits granted to our postpaid customers. Both measures hit best ever third quarter levels this year. These accomplishments have driven billions of dollars in cost savings for the company over the last few years and we continue to look for new opportunities to become even more efficient as we transform the customer experience.

As I said on the last couple of calls, in spite of some near-term network pressures, we continue to believe that the improvements we are delivering in our customer experience and the significant improvements underway in our network will provide a foundation for future churn improvement. In the third quarter, our Sprint platform postpaid churn remained elevated as we continued to experience service impacts associated with the rip out and replacement of our entire network and competitive pressure in the enterprise account market segment associated with our smaller LTE footprint.

Additionally, as mentioned on our last call, we saw a considerable number of disconnects on our Sprint platform related to joint corporate accounts that disconnected their Nextel service in the last few days of the second quarter. We do expect some additional carryover impact from the Nextel shutdown in the fourth quarter on Sprint platform churn, although smaller than the impact in Q3. We also expect competitive and Network Vision construction related pressures to continue until approximately mid-2014.

We therefore expect Sprint platform postpaid churn to remain at its current elevated levels for the next couple of quarters and then to begin to make gradual sequential improvements. In cities like Chicago, where our Network Vision build is more than 70% complete. We are seeing significant improvements, not only in churn, but also in gross

adds, compared to earlier months when customers were experiencing the pardon our dust phase of our Network Vision deployment.

Turning to Slide 9. The initial launch for One Up was only for prime customers and only in Sprint company-owned distribution channels with advertising not beginning until very recently, so it's too early to comment on what its eventual impact might be. We expect the overall uptick on the program to grow as we expand channel availability. With the launch, we have observed a lift in our tablet sales volumes as customers take advantage of the installment feature for higher priced devices.

Our overall Sprint postpaid gross add volumes were relatively flat compared to Q2 and we expect a seasonal increase in Q4 during the holiday season. Getting the network healthy is crucial to our gross add investments and effectiveness and you will be hearing more about our network advances later today.

Turning to Slide 10, as mentioned, we sold almost 5 million smartphones in the quarter, including nearly 1.4 million iPhones with 40% of iPhone activations being new gross adds. We are seeing continued high demand for the new iPhone models and are in a constrained inventory position on the most popular color and memory configurations for the 5S. We have waiting lists for some models.

We continue to be pleased with our prepaid portfolio of brands as we delivered over 10% year-over-year growth in Sprint platform prepaid gross add volumes in Q3 and look forward to sequential net add growth in Q4.

Later today, we will announce groundbreaking advancements in network and device technology. I have joked that our Network Vision project has been like the last pig's brick house in the story of The Three Little Pigs. It has been a very complex and it's been very hard work to take down the Nextel network and to rip out and replace the entire Sprint 3G network in order to build a flexible platform running 4G LTE on three spectrum bands with the network architecture flexibility to add even more frequencies in the future.

We are finally turning the corner on this massive project and seeing the light at the end of the tunnel.

On the subject of network now, I will turn the call over to Steve Elfman, who will give you an update on our Network Vision products. Steve?

Steve Elfman - President of Network, Technology and Operations

Thanks, Dan. Please turn to slide 12. I would like to give you an update on Network Vision progress and better understanding of our plans. We continued our steady pace through the third quarter and now have over 26,000 sites on air with over 35,000 sites or more than 90% of Sprint sites completed or under construction. We launched 4G LTE in 130 markets and continue to target approximately 200 million LTE POPs by the end of the year and expect to complete our 1.9 gigahertz network modernization by mid-next year.

Slide 14 please? Our plan is to build a multi-band LTE network that includes our 1.9 gigahertz overlaid by 800 megahertz and 2.5 gigahertz to provide greater coverage, speed and capacity. We expect to use a capital efficient mix of various bands based on factors such as geography and capital needs, the capacity needs.

We continue to free up our low band 800 megahertz following the Nextel shutdown and expect this to improve the performance and coverage of our network. We began deployment of voice services on the 800 megahertz band in the first quarter and now have sites on air at approximately nearly two-thirds of our markets. Also, more than 40% of our postpaid base has 800 megahertz voice capable devices. Furthermore, we are starting to turn up the 800 megahertz LTE radios on our sites this quarter in multiple markets where we have spectrum re-banding complete.

The third layer to the network will be the high band 2.5 gigahertz spectrum that we acquired in the Clearwire transaction which improves speed and capacity. As we have said previously, we expect to complete the 5,000 LTE sites the Clearwire had under construction this year. As we move into next year, we will continue to expand the rollout of 2.5 gigahertz on selected sites across our existing network.

In July of this year, we introduced tri-band data devices and plan to launch handsets before the holidays. We expect that going forward all of our postpaid smartphone launches will be tri-band supporting active hand outs across all bands and ensuring data session continuity. While we remain focused on completing the core Sprint network modernization, we are excited about the enhanced capabilities that our multi-band network will provide. We are committed to building a competitive network and we will continue to evolve our network over the next few years to become a leader in the industry.

I will now turn it over to Joe to go through the financials.

Joe Euteneuer - Chief Financial Officer

Thank you, Steve and thanks, everyone for being here today. The third quarter was a transitional period for our company, as we shifted focus away from the Nextel shutdown effort and made plans to what our future will look like with the new assets and expertise we have in place from closing the SoftBank and Clearwire transactions. While we certainly faced our share of challenges this quarter, delivering solid financial results remained a priority for the company. With the heavy investments we are making in our network, our disciplined approach for growth remains essential.

Moving to slide 16. Our Sprint platform postpaid business continued to show year-over-year growth in revenues during the third quarter. Sprint platform postpaid service revenue of $5.8 billion was flat sequentially and grew 4% year-over-year even when including the dilutive impacts of purchase price accounting that I will discuss in more detail later. Our Sprint platform postpaid net losses of 360,000 were admittedly higher than we would like. We are maintaining discipline in our customer acquisition, as our prime mix of gross adds was the highest in almost three years. Sprint platform postpaid churn of 1.99% in the third quarter was up 11 basis points year-over-year and 16 basis points sequentially.

While we typically see a sequential increase in the third quarter due to normal seasonality, this was exacerbated by the issues Dan discussed. However, we are encouraged that the prime mix of our base has grown for six consecutive quarters and reached its highest level since second quarter of 2010.

The Clearwire transaction closed on July 9 and we acquired approximately 1.6 million customers across our postpaid, prepaid and wholesale categories. While Clearwire retail operations haven't shutdown, we continue to serve the existing customers. We also moved approximately 32,000 of the customers acquired in the U.S. Cellular transaction to the Sprint platform during the third quarter and have only 84,000 customers still remaining on the U.S. Cellular network. We will continue to work to recapture these customers in the coming months and we expect this effort to be largely complete by year end.

Moving to ARPU. Record Sprint platform postpaid ARPU of $64.28 in the third quarter was slightly up sequentially and grew 2% year-over-year even when including the non-cash dilutive effect of approximately $0.32 as a result of the purchase price allocation. As a reminder, purchase price economy rules required us to eliminate the deferred revenue balances associated with upfront activation and upgrade fee payments received by us in prior periods. However, this impact was completely offset by the non-cash elimination of the related deferred cost and thus had no net effect on adjusted EBITDA.

The year-over-year ARPU growth was driven by three items. First, continued smartphone penetration as 81% of the postpaid handset base is now on a smartphone. Second, by changes in our insurance program pricing that were implemented in the first quarter this year. Finally, by ongoing initiatives aimed at reducing customer discounts and credits. While we expect similar non-cash dilutive impacts to ARPU from purchase price accounting in the fourth quarter, we also expect some pressure from the effects of the Sprint One Up installment billing offering and expect that ARPU on the Sprint platform maybe flat to slightly down.

Let's move on to our Sprint platform prepaid business on slide 17. As expected, as to the lifeline net subscriber loss impact in the second quarter, we returned to the subscriber growth in the third quarter with net prepaid customer additions of 84,000. Sprint platform prepaid service revenues in the third quarter were also up 3% year-over-year representing the fifteenth consecutive quarter of year-over-year growth and would have been up over 11% year-over-year, if not for a possibly $100 million of one time non-cash dilutive effects associated with purchase price accounting, however unlike Sprint platform postpaid ARPU, we do not expect any additional impact to prepaid revenue going forward.

Our Sprint platform wholesale and affiliate business also returned to subscriber growth with net customer additions of 181,000 in the third quarter as a targeted effort by our wholesale MVNOs to eliminate inactive accounts in their base, was largely completed in the second quarter. Wholesale, affiliate and other revenue grew 8% from the year ago period and has been up year-over-year for 11 consecutive quarters.

Please turn to Slide 18. Consolidated adjusted EBITDA of over $1.34 billion was up $64 million from the year ago period and down $81 million from the second quarter. We achieved significant expense reductions from shutting down the Nextel platform, but also lost revenue from the Nextel subscribers that we were not able to recapture.

While Sprint platform postpaid sales volumes and their associated costs were down from last year, we have also grown the overall Sprint platform retail subscriber base. Additionally, we have been able to offset most of the growth in postpaid subsidy rates and the additional Sprint network modernization spend by growing postpaid and prepaid ARPUs when excluding purchase price accounting impacts, thus our consolidated EBITDA before transaction impacts grew almost 20% year-over-year.

As I indicated last quarter, our adjusted EBITDA results this quarter were going to be negatively impacted by the consolidation of Clearwire operations along with the non-cash purchase accounting impacts of both, the SoftBank

and Clearwire transactions. These impacts were approximately a $185 million in total for the third quarter with approximately a $125 million being related to the non-cash net effect of purchase accounting, such as the elimination of deferred revenue, deferred cost and deferred rent.

While there will continue to be in an impact from purchase accounting on various P&L line items going forward, we do not expect a net impact to adjusted EBITDA to be material. The remaining $60 million of dilutive impact to adjusted EBITDA in the third quarter was related to the consolidation of Clearwire operations and we expect the impact in the fourth quarter to be slightly higher as it will incorporate a full quarters worth of activity.

Let's move onto our wireless operating expenses on Slide 19. Total wireless cost of service of $2.3 billion in the third quarter was up $35 million, sequentially, and up $71 million from the third quarter of 2012. While cost of service was relatively flat from both, the sequential and year-over-year perspective, there were several material items that I would like to discuss.

Sequentially, we did see approximately $160 million of reduced expenses, net of decommissioning cost, primarily related to charges recorded in prior periods associated with the shutdown of the Nextel network, however these savings were largely offset by approximately a $140 million of net expenses associated with consolidating Clearwire operations as we took on additional operating expenses and spectrum leases, but eliminated our rolling payments to Clearwire.

We also had a sequential increase related to our continued Sprint network modernization spend. The year-over-year story is similar. With approximately a $185 million of lower Nextel network expenses, net of decommissioning costs and lower service and repair cost is being offset by the consolidation of the Clearwire operations and our Sprint network modernization spend.

Moving to subsidy expense. Total wireless net subsidy for the third quarter was approximately $1.4 billion, which was down $35 million, sequentially, and a 109 million year-over-year, while postpaid subsidy rates have continued to increase with the higher smartphone sales mix, the sequential and year-over-year declines were primarily driven by fewer upgrades as we were no longer migrating Nextel customers to the Sprint platform in the quarter. With the seasonally higher selling activity of the fourth quarter, we expect our postpaid upgrade rate of 7% of the base in the third quarter to increase sequentially.

Switching to SG&A expenses, total third quarter wireless selling, general and administrative cost of approximately $2.4 billion were up $79 million year-over-year and $62 million, sequentially, primarily due to the inclusion of Clearwire. Sequentially, we did also see higher seasonal bad debt and lower marketing expenses. Year-over-year, we also saw lower customer care cost, mostly driven by reductions in calls.

Wireline adjusted EBITDA for the third quarter of $132 million was flat sequentially and down $26 million from the year ago period, mostly driven by lower inter-company revenue from the wireless segment. The annual resetting of our inter-company transfer rates to reflect current market prices and the elimination of Nextel Network backhaul circuits, both of which are neutral to consolidated adjusted EBITDA were the main drivers of the inter-company revenue decline. We expect Wireline adjusted EBITDA to be down sequentially in the fourth quarter as cable migration connectivity accelerates and continue to expect full year Wireline adjusted EBITDA to be approximately $450 million.

Moving to cash and liquidity on slide 20. We had several notable events that impacted our liquidity and capital structure this quarter. Upon closing the Clearwire transaction on July 9, we paid $3.8 billion to purchase all of the outstanding shares that we didn't already own, assumed approximately $4.3 billion of Clearwire debt, and received approximately $600 million of cash which will be used to support Clearwire operations and interest cost.

When the SoftBank transition closed on July 10, we received $1.9 billion equity infusion and the $3.1 billion convertible bond was automatically converted into shares of Sprint thereby reducing long-term debt by the same amount.

In September, we raised the total of $6.5 billion of debt with $2.25 billion of maturities due in 2021 and $4.25 billion of maturities due in 2023. Also as we announced last week, we called the remaining balance of the Clearwire 2015 and 2017 notes in December. We purchased approximately $400 million of the 2015 bonds during the third quarter.

We ended the third quarter with a total liquidity position of $9.6 billion including cash, cash equivalents and short-term investments of $7.5 billion and $2.1 billion of undrawn borrowing capacity under our revolving bank credit facility. We also have $174 million of expected future liquidity from our secured equipment credit facility as we drew down $326 million from the second tranche during the quarter and we have reached an agreement with our vendors to work with us on securing additional equipment financing. Additionally, we have approximately $3.1 billion of restricted cash on our balance sheet this quarter and that is earmarked for the aforementioned Clearwire debt retirements. With a desire to accelerate network investments and position the business for future growth, we will

continue to appropriately manage our capital structure and position ourselves to have adequate liquidity to operate the business and fund these investments.

With the network builds remaining on track, capital expenditures were over $1.8 billion in the third quarter and now include the Clearwire capital spend as well. As expected, Network Vision related CapEx of approximately $1.3 billion was down sequentially due to fewer construction starts as we have begun construction on nearly all sites and expect that Network Vision related CapEx will continue to decline as we move towards completion of the project.

Free cash flow was negative $909 million for the quarter compared to negative $478 million for the third quarter of 2012 and negative $404 million for the second quarter of 2013. With adjusted EBITDA and total capital expenses remaining relatively flat, the sequential decline was mostly related to higher payables associated with the network build and the Nextel Network decommissioning cost. Free cash flow in the fourth quarter is expected to be down sequentially as we experienced seasonally lower adjusted EBITDA and continue our elevated CapEx spend.

I would now like to discuss guidance for the rest of 2013. While the majority of dilutive impacts from the purchase price accounting were realized in the third quarter, we still expect similar to slightly higher dilution to adjusted EBITDA from the consolidation of Clearwire operations in the fourth quarter. However, we continue to expect consolidated adjusted EBITDA for 2013 to be approximately $5.1 billion to $5.3 billion.

We also continue to expect total capital expenditures to be close to $8 billion for the year. We are finalizing the budget for 2014 and expect to give additional guidance for the next year on our next earnings call.

In closing, I would like to reiterate the Vision Dan discussed for what the future of Sprint can hold. With the SoftBank and Clearwire transactions closed, we have the assets in place to be a strong competitor in our industry and it's all about execution right now. I am confident in the employees at Sprint will be able to make the vision a reality.

I will turn the call over to Brad for Q&A.

Brad Hampton - Vice President of Investor Relations

Thank you, Joe. In just a minute, Molly will instruct our listeners on how to queue up for the question-and-answer session.

I want to point out that you may access an audio replay or a webcast of our presentation on www.sprint.com/investors. We will now open the line for your questions. Molly, please instruct our participants.

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from the line of Brett Feldman.

Brett Feldman - Deutsche Bank

Thanks for taking the question. I want to go back to something Steve said earlier when he was talking about plans going into next year. He mentioned that you would be looking to deploy your 2.5 gigahertz spectrum into select sites within the existing Sprint Network. I think a lot of investors had assumed you would be pursuing a more dense deployment of that spectrum in light of its propagation characteristics, so I know that you are probably going to me some more color going ahead, but maybe just as a general sense, could you give us some thoughts on the broad strategy for how you intend to take advantage of those recently acquired spectrum there? Thanks.

Dan Hesse - Chief Executive Officer

Yes, Brett when I was talking about selective area, we want to be very aggressive in our deployment across the country. When I selected, we look at those urban markets where we see capacity needs and where we want to get more dense within the city, so I haven't put out how many sites and where, but we want to be aggressive next year, not only with the current Clearwire build, but building it on our own sites both, macro and with small cells into the future, so you will hear more about this later from us.

Brett Feldman - Deutsche Bank

Do you anticipate that you are going to trying to use that across your entire network? If not how do you think about or just in general, some of the other opportunities to add even more spectrums to your portfolio going forward. You know have an HVAC option coming up in January, it is where spectrum is available you are interested in that, AWS 3 broadcast. Do you feel like it's going to be important to your Spectrum strategy going forward actually layer in more mid and low band spectrum?

Dan Hesse - Chief Executive Officer

This is Dan. We clearly have a strong spectrum position now with 120 megahertz of Clearwire spectrum in 90% of the top 100 markets, plus our 1.9 plus 800. We will look at the spectrum auctions as spectrum becomes available. One of the things that was so important about this architecture. It is that we could add additional bands of spectrum, so we saw that. We could also potentially partner with other owners of spectrum in creative ways and deploy that on our network for additional capacity or other capability, so I used the analogy of the three little pigs network and the complexity associated with kind of ripping up and replacing the entire network to give us that flexibility going forward. But it does give us that, so we have a lot of options and we will consider them.

Operator

Your next question comes from the line of Michael Rollins. Michael, your line is now open.

Michael Rollins - Citigroup

Thanks. Sorry about that and thanks for taking the question. Back to the Network question, again, can you quantify for us if you were to look at the proxy and I think if I heard the numbers correctly, it was something like $8 billion in CapEx this year, maybe next year reports to come down after that.

Could you give us a sense of what is built into those numbers and what do you get for that? Do you get the Vision that virtually out plus 800, plus 2.5, or doing a portions of that, maybe just some thoughts can get a portion into that.

Maybe just some thoughts on what's in there and maybe what the flex points would be depending on how aggressive you want to be with the densification and the overlay of the network? Thanks.

Dan Hesse - Chief Executive Officer

Well, first of all, we haven't provided specific guidance for CapEx going forward. We are not doing that today. But you are exactly right, Michael. There are some numbers that we provided to investors in things like the proxy. We currently have a total of about 55,000 cell sites. This gets back to the earlier question as well. And you should expect that number of macro sites, I am talking macro only because Steve talked about the potential addition of smaller cells to remain relatively flat for the next few years, we are deploying LTE aggressively on the 1.9 spectrum and we expect to be, as Steve indicated in his comments, to have about 200 million POPs finished by the end of the year.

Of course, we will increase the number of POPs available on that spectrum by mid year. We are just beginning to deploy LTE on 800, we have been deploying it on voice for quite a while. And we, of course, are focusing first on deploying 2.5, as Steve indicated, in those dense urban markets where we can use it for speed and especially capacity. So that's our initial priority.

We will be providing more guidance for the year 2014 after the fourth quarter of 2013 on the earnings call which is our normal practice and I think I can give you more then.

Michael Rollins - Citigroup Investment Research

Thanks very much.

Operator

Your next question comes from the line of Jonathan Chaplin.

Jonathan Chaplin - New Street Research

Thanks. I am wondering if I could just follow up on Brett's question on the network strategy. So I think we are all looking forward to the point in time where Sprint has a really compelling network advantage over everybody else with a lot more capacity and faster speeds than AT&T and Verizon. And in order to get there, in my mind it seems like a very dense deployment of 2.5 gigahertz spectrum is what gets you there. It sounds like from your comments Steve, that what you are talking about is more of a hotspot deployment, with 2.5 only in dense markets. Is that what you meant to express? And if so, how do we -

Steve Elfman

No.

Jonathan Chaplin - New Street Research

Right. Go ahead.

Steve Elfman - President of Network, Technology and Operations

Sorry, Jonathan. No, then I expressed myself incorrectly. Today it was a hotspot market as when we just did it with Clearwire. But our approach will be to really densify and really, in the urban areas first, to be able to get the speed and the capacity in those areas. But now the goal is to build out 2.5 and use that 120 megahertz across the nation. So now if I left the impression with you that it's only a hotspot then that's incorrect.

Dan Hesse - Chief Executive Officer

Jonathan, this is Dan. I will add to the comment. Yes, Steve expressed it well. It's really a priority in a sequencing. So we got started first on 1.9, then we got started on the 800 and because the Clearwire transaction took us longer to complete than we had anticipated before we could take, if you will, control of that spectrum. It's starting later. So as Steve indicated at the beginning, it's just traditionally it's just been hotspots.

We are going to be talking more about it later today but it is going to be a focus on a national rollout but obviously the urban area, as the big markets will get it first. So if you will, in terms of speed of deployment or footprint, you will see the 1.9 LTE footprint being done first and typically have the most POPs covered followed by 800, then followed by 2.5. So it will take some time for the 2.5 POP coverage to catch up to the pop coverage of, lets say 1.9.

Jonathan Chaplin - New Street Research

And by the end of '14 Dan, how much of your footprint you could have covered with 2.5?

Dan Hesse - Chief Executive Officer

We expect to be roughly a 100 million POPs covered with 2.5 at the end of '14.

Jonathan Chaplin - New Street Research

Great. Thanks.

Operator

Your next question comes from the line of Colby Synesael.

Colby Synesael - Cowen and Company

Great, thank you. I wanted to talk about your expectations around marketing and how that might tie into the goal of hitting the 200 million POPs with LTE? I think the expectation is that once you hit that mark, we could start to see you would be more aggressive and perhaps change some of your plans, so I guess two questions there. One, is it correct to assume that that's the number one you guys might expect to actually implement a different marketing campaign? If that is correct, how aggressive could that campaign be? Do you think that it's just the minor tweaks to which you are already doing, would you should we expect to see some pretty meaningful changes and how you actually go about marketing yourself? Thanks.

Dan Hesse - Chief Executive Officer

Basically, our marketing plan from a messaging perspective right now is really three-fold. One is, on one up and the $65 price point, which we think is a compelling price point for the first-line for customers and as we have indicated it has only been available in our own channels and the prime customers and our plan is of course to enhance distribution, which will make that more meaningful.

Number two, unlimited for life. I think that's a strong message as well. Third, in places like Chicago, which I referenced earlier, in markets where our customers have experienced some significant network issues in the last year is once we have got gotten to roughly let's say 70% completion on Network Vision to go tell those customers that the network has improved and to have them try it and have new customers try it, because as indicated it affects both, churn and gross adds and there is typically a lag between gross adds and churn as you noticed. Churn I think positively and negatively, fairly quickly from your existing customers and gross adds lag that, so messaging network improvements is very important. That will be an important part of our messaging architecture going forward.

Now that we are getting majority complete, our Network Vision in a number of markets across the country is on a more local basis is to bring out a stronger network message, because we have a good story to tell.

Colby Synesael - Cowen and Company

Is it fair to assume though that once you hit the $200 million top mark that we should start to expect you ramp up that the noise level too around those things? Is there any color on how the unlimited for life has actually been doing so far?

Dan Hesse - Chief Executive Officer

Well, I am not going to say specifically and it's not necessarily tied up to national POPs. When we ramp up certain messages, but unlimited for life, we believe is a very good message and I will be describing. I think it's the notion of unlimited is much more than just a rate plan and I will just leave it at that.

People tend to think about it, it's just a rate plan and it is more than that, so this was an important thing for us to do, and of course not coincidental that we announced unlimited for life I think like the day after the Clearwire transaction closed. We feel confident that we have the network architecture and spectrum capabilities in place to be able to differentiate around the capability like that.

Operator

Your next question comes from the line of Jennifer Fritzsche.

Jennifer Fritzsche - Wells Fargo

Thank you for taking the question. I just wanted to ask a little bit about wholesaling or partnerships with your current network. Obviously, you have a more spectrum than any of those big four and just your current thoughts on possibly sharing that with some other providers?

Joe Euteneuer - Chief Financial Officer

Jennifer, this is Joe. I think, look we have been clear that our ability to partner with somebody, you are talking about the use of multi-modal technology in hosting someone else's spectrum, all of those things we have been very open about. Steve get it.

Steve Elfman - President of Network, Technology and Operations

Yes. Hi, Jennifer. When the wholesale business has and it will continue to be very important to us and what we will offer to our wholesale partners is all our spectrum bands, and the work that we have been doing to get the appropriate devices in place will be made available to our wholesale partners to help grow that business.

Jennifer Fritzsche - Wells Fargo

Perfect. Thank you very much.

Operator

Your next question comes from the line of Phil Cusick

Phil Cusick - JPMorgan

Hi, guys. Thanks. I guess for Joe. First can you help us quantify or sort of size them, how much of the losses in the third quarter were driven by that iDEN hangover corporate customers disconnecting?

Then second. In the mean time, until we get to the point where the construction pressures start to ease, can you talk to us about the cost cutting that can be done in the mean time? Whether that's Sprint on its own or leveraging the SoftBank relationship against some of the very big vendors that the companies have in common? Thanks.

Dan Hesse - Chief Executive Officer

Yes. So I mean, look, the cost cutting is something that we work out everyday. I mean that's something that has been in existence and continues to be in existence and helps create more dollars availability for marketing, et cetera. So that discipline Dan put in the company far before I got here, and all I have done is carried it on. Dan, do you want to take the other one.

Dan Hesse - Chief Executive Officer

Yes. Hi, Phil. Dan here. The impact of the network and in particular the mixed accounts are that for those on the call that have may not understood it, we needed to shut iDEN network down on the June 30, and we were quite successful compared to the plan in re-capturing 40% of those, if you will, those customers but we lost 60% and most

companies were mixed in that. You had iDEN subscribers, typically the over simplified, the blue collar workers, white collar workers would be on the Sprint platform. If we lost the account, Nextel or iDEN customers came off in June and then the Sprint customers come up in the second half, both Q3 and Q4. The impact on the third quarter was quite significant, Phil.

Phil Cusick - JPMorgan

And as you said on the call, it will be less significant in the fourth quarter though?

Dan Hesse - Chief Executive Officer

Pardon?

Phil Cusick - JPMorgan

You said on the call, it would less significant 4Q, is that right?

Dan Hesse - Chief Executive Officer

Correct. That's right. So they will come up in Q3 and Q4 but a bigger hit in Q3 than in Q4, as you would expect.

Phil Cusick - JPMorgan

Okay. Thanks, Dan.

Brad Hampton - Vice President of Investor Relations

Operator, we have time for one more question, please.

Operator

Final question comes from the line of Tim Horan.

Tim Horan - Oppenheimer

Thanks, guys. Can you talk a little bit of what kind of coverage and speeds you are getting when you have both, the combination of LTE and the 2.5 gigahertz deployed? And maybe more importantly, are you seeing any change in patterns in terms of customer usage on those networks? Are they materially using it a lot more? Thanks.

Steve Elfman - President of Network, Technology and Operations

Yes, this is Steve. A couple of things. In the 1.9 on LTE, as we have said, we are seeing consistently about 6 to 8 megabits per second. And on 2.5 where it's deployed currently from the original Clearwire build, we are seeing in upwards to 40 and 50 megabits peak speeds right now. 50 to 60, I am sorry. 50 to 60 megabits peak speeds in those cities where it's been built.

And the final question, in terms of growth in data, I think we are all seeing a lot of growth in data and when you have faster speeds you use it more and we are seeing significant growth across both for LTE bands.

Tim Horan - Oppenheimer

Thank you.

Brad Hampton - Vice President of Investor Relations

Thank you everyone for your participation in our call today. If you have additional questions, please contact Sprint's Investor Relations team at 1-800-259-3755. This concludes our call.

Operator

Thank you for participating in today's conference call. You may now disconnect.

EXHIBIT

2

FierceWireless

Published on FierceWireless (http://www.fiercewireless.com)

Sprint's Saw: Spark to hit 120 Mbps peaks at end of 2014, 180 Mbps peaks at end of 2015

March 24, 2014 | By Mike Dano

John Saw, Sprint's (NYSE:S) chief network officer, said that the carrier plans to expand its tri-band LTE Spark service to a two-carrier configuration toward the end of this year, which he said will result in peak download speeds of 120 Mbps. Then, by the end of 2015, Sprint plans to add another carrier to the configuration of its 2.5 GHz LTE network, which will result in three-carrier peak speeds of 180 Mbps.

The comments provide additional clarity into Sprint's rollout plans for its Sprint Spark service. Sprint is hoping the speeds supported by Spark will set it apart from its competition.

Sprint announced Spark last fall. The technology combines TDD-LTE network technology in Sprint's 2.5 GHz spectrum with FDD-LTE network technology across its 1900 MHz and 800 MHz spectrum bands. Today, Spark is available in parts of 14 markets, and it supports peak download speeds of roughly 50 Mbps and average download speeds of 12-15 Mbps. Sprint plans to expand Spark to 100 million POPs by the end of this year and roughly 100 markets by 2016.

Saw explained that Sprint plans to use carrier aggregation to combine two 2.5 GHz TDD-LTE channels "towards the end of this year," though he said that launch could happen early next year. He said the rollout of two-channel LTE on Sprint's 2.5 GHz spectrum will result in peak download speeds of roughly 120 Mbps, though average speeds likely will be slower. He said Sprint will likely gradually roll out e two-channel LTE on 2.5 GHz spectrum across specific markets, though he didn't provide details.

Saw said Sprint will add an additional carrier to its 2.5 GHz LTE network at the end of next year, giving the system three full channels and supporting peak download speeds of roughly 180 Mbps.

"Those are incredibly fast speeds," Saw said, adding that Sprint may even be able to increase speeds beyond that through additional technologies. "With smart antenna capabilities that we are putting in our systems we are able to leverage even higher speeds than those. We're talking about multilayer MIMO, and all that is being developed in our labs."

However, Saw said that Sprint Spark users today will need to purchase new devices to be able to access those faster speeds. He confirmed that the Spark devices that Sprint sells today will not be able access two-channel and three-channel 2.5 GHz configurations, thus forcing Sprint customers to upgrade to new devices that can access those configurations in order to make use of the faster speeds.

Saw said the upgrade process to two- and three-channel LTE will be relatively smooth for Sprint. "With the radios we're putting up, they are capable of two- and three-channel carrier aggregation, so it's a matter of a software upgrade for us to enable more carriers and aggregate them. So you don't need to climb the towers to implement that," he said.

The vendors that are rolling out Sprint Spark are Alcatel-Lucent (NYSE:ALU), Samsung and Nokia (NYSE:NOK) Solutions and Networks. A key part of Spark are the radios Saw referred to, which have capabilities for 8 Transmitters 8 Receivers (8T8R), and which Sprint has said will be a first deployment of its kind in North America. However, those radios are only going to start being widely deployed on Sprint's network around mid-year.

Saw said Sprint, Ericsson (NASDAQ:ERIC) and Sprint's other vendors are upgrading Sprint's sites, and after that work is complete then Ericsson takes over the day-to-day management of Sprint's sites under the seven-year, $5 billion network management agreement Sprint inked with Ericsson in 2009.

Sprint has previously discussed its plans to increase the speeds of Spark. In December, Sprint said Spark could eventually provide real-world speeds of 150-180 Mbps. Then, earlier this month, SoftBank CEO Masayoshi Son said he hopes to deliver up to 200 Mbps, presumably using Spark.

Moreover, Sprint isn't the only carrier using carrier aggregation technology and additional carriers to improve speeds. For example, AT&T Mobility (NYSE:T) said earlier this month it started using carrier aggregation technology to transmit over both its 700 MHz spectrum and its 2100 MHz AWS spectrum in Chicago and other markets, in order to boost LTE capacity and speeds. And T-Mobile (NYSE:TMUS) late last year said it has deployed a 20x20 MHz LTE network in Dallas, which should give the carrier additional capacity in that market as it prepares for a wider rollout of 20x20 MHz LTE service.

Related Articles:
Sprint poised to become 'king of data speed,' report says
SoftBank's Son vows broadband speeds of 200 Mbps, more competition in U.S. market
T-Mobile turns on 20x20 MHz LTE service in Dallas

AT&T lights up LTE Advanced carrier aggregation in Chicago, other markets
Sprint's Hesse: Spark tri-mode LTE service could eventually provide real-world speeds of 150-180 Mbps
Sprint Spark to combine LTE in 800 MHz, 1.9 GHz and 2.5 GHz, will offer 50-60 Mbps peak speeds

Source URL: http://www.fiercewireless.com/story/sprints-saw-spark-hit-120-mbps-peaks-end-2014-180-mbps-peaks-end-2015/2014-03-24

EXHIBIT

3

FierceWirelessTech

Published on FierceWirelessTech (http://www.fiercewireless.com/tech)

Sprint poised to become 'king of data speed,' report says

March 16, 2014 | By Tammy Parker

The TDD spectrum in the 2.5 GHz band that Sprint (NYSE:S) acquired from Clearwire last summer is "a powerful resource for Sprint to catch up to its competitors" and can enable the United States' third-largest mobile operator "to provide super high speed data connections," according to a report from Strategy Analytics.

Yang

The report, written by Guang Yang, Strategy Analytics' senior analyst for wireless networks and platforms, further notes that Sprint's 2.5 GHz spectrum is key to enabling the operator to become the "king of data speed."

In February, Sprint along with Nokia (NYSE:NOK) Solutions and Networks demonstrated that a single sector of a TD-LTE network can deliver data throughput of 2.6 Gbps. In the test, 120 MHz of Sprint's 2.5 GHz TDD spectrum was aggregated to achieve what the companies claim is a TD-LTE speed record. Sprint has said it owns around 120 MHz of 2.5 GHz spectrum in 90 percent of the top 100 U.S. markets.

"Sprint plans to deploy 2x20 MHz carrier aggregation in 2014 and 3x20 MHz carrier aggregation by EOY 2015. This should help Sprint to build strong momentum as a future LTE-Advanced competitor," said Strategy Analytics.

However, the research firm's report may not have been issued at the most opportune time for Sprint. The FCC has been reviewing the spectrum screen it uses when assessing industry mergers and acquisitions and whether spectrum caps are needed in the upcoming 600 MHz auctions in order to equalize spectrum holdings among U.S. mobile operators.

In both cases, Sprint has contended that its vast holdings of 2.5 GHz BRS and EBS spectrum should be not be compared directly to lower band spectrum held by the nation's two largest operators, AT&T Mobility (NYSE:T) and Verizon Wireless (NYSE:VZ). For example, in February, Sprint proposed the FCC adopt a "weighted wireless broadband spectrum screen" that would accord perceived competitive advantages to spectrum under 1 GHz.

"It should surprise no one that this approach would basically relieve Sprint from almost any meaningful spectrum aggregation constraints while effectively foreclosing AT&T from acquiring additional spectrum it needs to meet customers' needs," wrote Joan Marsh, AT&T vice president of federal regulatory, in a blog post last week.

Similarly, in an ex parte filing with the FCC last week, Verizon wrote: "Despite having no factual basis for continuing to exclude the majority of the 2.5 GHz spectrum, Sprint continues to argue for its exclusion in large part because it controls almost all of it. As a result, Sprint has, on average, nearly twice as much spectrum as Verizon Wireless."

Meanwhile, Strategy Analytics also heralded Sprint's Spark program, which was launched in October 2013. The tri-band LTE service employs the operator's FDD LTE network in its 800 MHz and 1.9 GHz spectrum and its TD-LTE network in its 2.5 GHz spectrum, aggregating TD-LTE carriers in the 2.5 GHz band to deliver 50-60 Mbps download data speeds. Sprint offers the technology in parts of 14 markets today and plans to bring the technology to the top 100 U.S. markets within three years. Sprint CEO Dan Hesse has said Sprint Spark could eventually offer real-world speeds of 150-180 Mbps.

According to Strategy Analytics: "The inherent tight interworking between LTE TDD and FDD enables Sprint to implement an integrated FDD/TDD network and to simultaneously provide both network coverage and capacity. LTE FDD at the lower frequency bands can provide nationwide coverage, while LTE TDD at the higher frequency band offers very high data speed throughput."

In addition to supporting active handovers and session continuity between 800 MHz, 1900 MHz and 2.5 GHz bands, Sprint Spark could also enable more advanced functions, including support for real-time load balancing and traffic steering. "These two features would both increase the capacity of Sprint's whole network and improve user experience over both FDD and TDD systems," according to Strategy Analytics.

The research firm also recommended that operators worldwide look to Sprint Spark or the hybrid LTE network deployed in Japan by Sprint's majority owner SoftBank for reference models "showing how to use TDD spectrum to complement LTE FDD by boosting data speed and capacity."

For more:
- see this Strategy Analytics release and this webpage
- see this AT&T blog post
- see this Verizon blog post and FCC filing (PDF)

Related articles:
SoftBank's Son vows broadband speeds of 200 Mbps, more competition in U.S. market
Verizon, Sprint lead on delivering mobile data traffic over LTE
Sprint's 2.6 Gbps demo shows it is time to walk the walk
Sprint, NSN tout demo of 2.6 Gbps throughput on TD-LTE
Former Clearwire CEO Prusch: Sprint will have advantage with 2.5 GHz spectrum
Sprint sparks Nokia's network resurgence
Sprint Spark to combine LTE in 800 MHz, 1.9 GHz and 2.5 GHz, will offer 50-60 Mbps peak speeds

Article updated March 17, 2014, to provide a clearer description of Sprint Spark.

Source URL: http://www.fiercewireless.com/tech/story/sprint-poised-become-king-data-speed-report-says/2014-03-16

EXHIBIT

4

STRATEGY ANALYTICS INSIGHT

Wireless Networks & Platforms

28 Feb 2014

LTE TDD is Gaining Momentum in Mobile Broadband Market with Benefit from Harmonized Standard and Global Ecosystem

Snapshot

The recent launch of Sprint Spark is the latest sign that LTE competition is moving from network coverage to data speed and capacity. Sprint and Softbank are implementing LTE TDD to increase capacity and performance for their hybrid TDD/FDD network. LTE TDD (a.k.a. TD-LTE) will play a major role in how operators add new spectrum bands in the 1.9, 2.6, 3.5GHz bands and above.

Since the beginning of standardization, LTE has been designed as a single radio interface to support both FDD and TDD. This principle provides a solid foundation for LTE TDD's success on a global scale. It also enables the harmonization of the LTE TDD and FDD ecosystems. This harmonized ecosystem will be key for LTE TDD's global success.

Analysis

Integrated LTE TDD and FDD is becoming a booster for data speed and capacity.

There are some impressive showcases for LTE TDD in Mobile World Congress in Barcelona this week. Nokia Solutions and Networks (NSN) have demonstrated TDD-FDD carrier aggregation together with Korean operators Korea Telecom (KT) and SK Telecom (SKT). This is the first demo in the world for such a tight integration between LTE TDD and FDD.

Meanwhile NSN and Sprint have joined forces to demonstrate a 2.6Gbps data rate over LTE TDD system with 120 MHz aggregated bandwidth. This is the latest move by Sprint in LTE TDD. Sprint launched its Spark Program on Oct 30th, 2013 by announcing 50-60 Mbps peak speeds in a commercial network - the latest sign that the focus of **LTE competition has shifted from network coverage to data speed and capacity.** Leading operators in global LTE markets, like Verizon Wireless, AT&T, SK Telecom, EE etc. are also improving their LTE data speeds and

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network capacity by deploying additional carriers (radio channels) in new frequency bands and planning for advanced features like LTE- Advanced Release 10 Carrier Aggregation and small cell HetNets.

Before the Spark program launched, Sprint was lagging behind its competitors in the race for speed and capacity since it had only limited spectrum in the FDD bands - only 2x10MHz at 1900MHz and even less in the 800MHz band from the old Nextel iDEN network - for LTE deployment. This initially made Sprint less competitive than its rivals in terms of coverage, data speed and network capacity. Live tests done by Root Metrics in Chicago - where all the 'Big four' Operators have deployed LTE networks - show that the performance gap between Sprint and leading LTE operators had been widening.

The TDD spectrum in the 2.5GHz band that was previously owned by Clearwire and fully acquired by Sprint in July, now becomes a powerful resource for Sprint to catch up to its competitors. **Sprint can use this band - all 160MHz available - to provide super high speed data connections** (see exhibit below)

Exhibit 1 Comparison on data rate and user experience

PAST PRESENT FUTURE	2G	3G	4G	Sprint Spark
	Average Speed	Average Speed	Average Speed	Peak Speed
Each generation faster than the last. Just how fast?	0.01 – 0.144 Mbps	0.6 – 1.4 Mbps	3 – 8 Mbps	50 – 60 Mbps
War and Peace	6.5 minutes	35 seconds	3.5 seconds	Now
HD 60 minute show	2 days 19 hours	7 hours	35 minutes	2.5 minutes
20 MB	40 minutes	4 minutes	21 seconds	3 seconds
HD buffer	2 hours 15 minutes	13.5 minutes	1 minute	10 seconds
60 minute podcast	1 hour 30 minutes	10 minutes	52 seconds	7 seconds
45 min. playtime	2 hours 15 minutes	2 hours	11 minutes	1.5 minutes
	12 minutes	1 minute	13 seconds	2 seconds

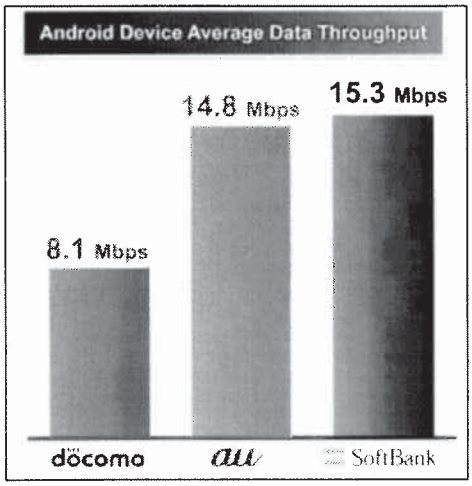
Source: Sprint

The TDD spectrum can also provide Sprint an opportunity to become the 'king of data speed'. Before the 2.6Gbps demo, Sprint had already demonstrated 1Gbps data rate by aggregating 60MHz bandwidth and advanced 8x8 MIMO technology. Sprint plans to deploy 2x20MHz Carrier Aggregation in 2014 and 3x20MHz Carrier Aggregation by EOY 2015. **This should help Sprint to build strong momentum as a future LTE-Advanced competitor.**

Meanwhile, **the inherent tight interworking between LTE TDD and FDD enables Sprint to implement an integrated FDD/TDD network and to simultaneously provide both network coverage and capacity.** LTE FDD at the lower frequency bands can provide nationwide coverage, while LTE TDD at the higher frequency band offers very high data speed throughput. As a native member of 3GPP LTE family, LTE TDD is now demonstrating seamless integration with LTE FDD. The Spark solution will support **active handovers** and **session continuity** between 800MHz, 1900MHz and 2.5GHz bands. More advanced functions could also be developed using the active handover feature to support **real time load balancing** and **traffic steering.** These two features would both increase the capacity of Sprint's whole network and improve user experience over both FDD and TDD systems.

Sprint has an opportunity to learn from the previous experience of its new parent company Softbank. Since it launched LTE TDD in November 2011, Softbank has deployed over 43,000 LTE TDD base stations at 2.5GHz band as a complement to its LTE FDD network at 900MHz and 2.1GHz bands. LTE TDD network now covers more than 92% of the Japanese population and helped Softbank achieve the No.1 ranking for Android device data throughput.

Exhibit 2 Softbank - No.1 of Android device data throughput



Source: Softbank

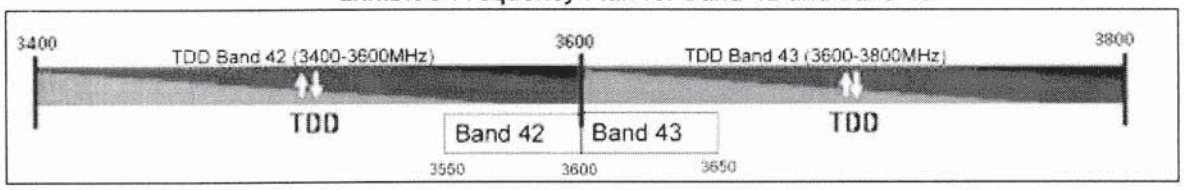
The experience of Softbank and Sprint show that **LTE TDD can strengthen operator's position in the competition for LTE speed and capacity. The inherent tight interworking between LTE TDD and FDD supports a highly integrated highly efficient LTE network.**

LTE TDD helps operators to explore opportunities for new frequency bands.

Softbank not only operates LTE TDD at 2.5GHz band but is also keeping an eye on 3.5GHz, as the Japanese regulator plans to reallocate 3.5GHz for mobile broadband service in 2015. A large block of spectrum for LTE TDD is expected to be allocated in Japan. And all Japanese operators are preparing for to re-farm this spectrum. Softbank is leading the campaign based on its experience with commercial LTE TDD systems. In September, Softbank completed the trial with Huawei to test the offload solution for LTE TDD small cells in the 3.5GHz band. This trial system supported five-carrier CA (Carrier Aggregation) and achieved peak data rates up to 770Mbps. The trial proved that **LTE TDD in 3.5GHz band can be an efficient offload solution for the macro network.**

3GPP, the global standard body for LTE technology has also defined specifications for TDD bands at 3.4 - 3.8GHz (see exhibit below). Some of the biggest mobile markets in the world are moving towards making Band 42 and 43 - or parts of them - available for LTE TDD networks.

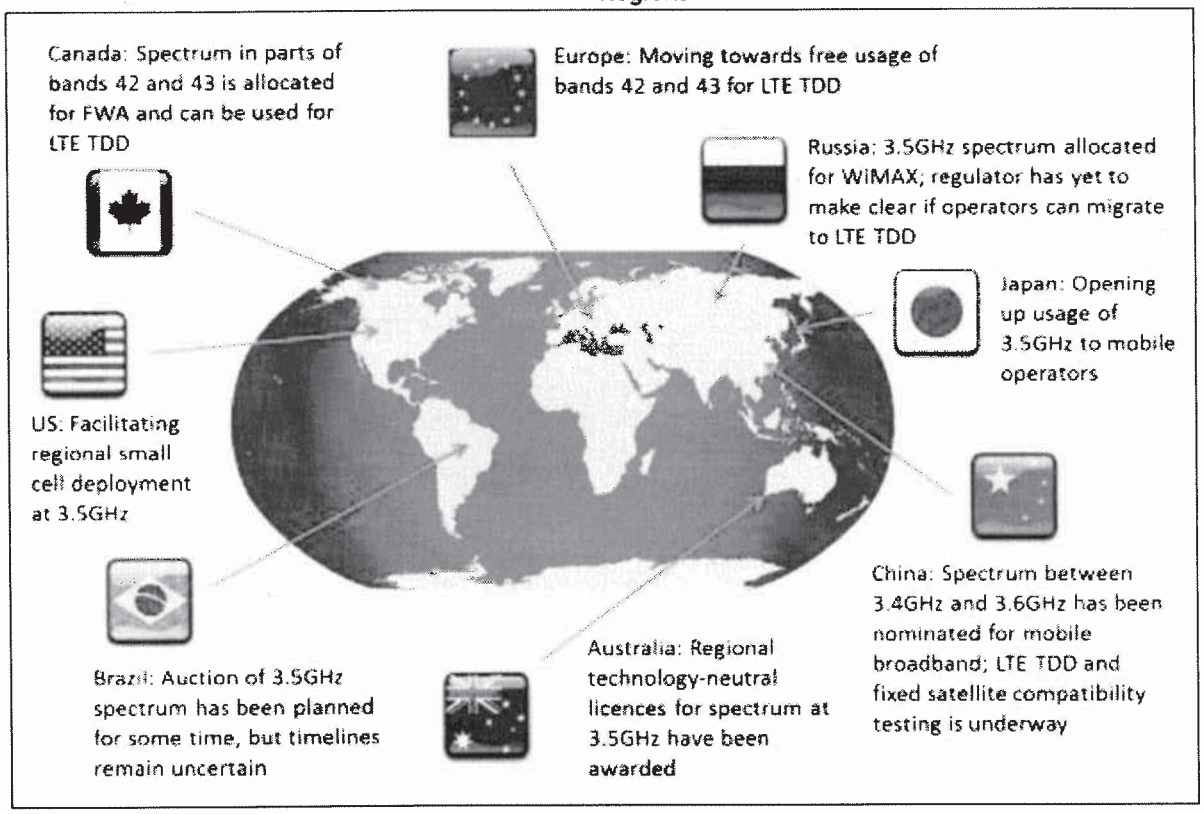
Exhibit 3 Frequency Plan for Band 42 and Band 43



Source: 3GPP

Exhibit 4 below shows the status of 3.5GHz licensing in selected markets.

Exhibit 4 Availability and Usability of spectrum in Bands 42 and 43 for selected Countries and Regions



Source: Global TD-LTE Initiative (GTI)

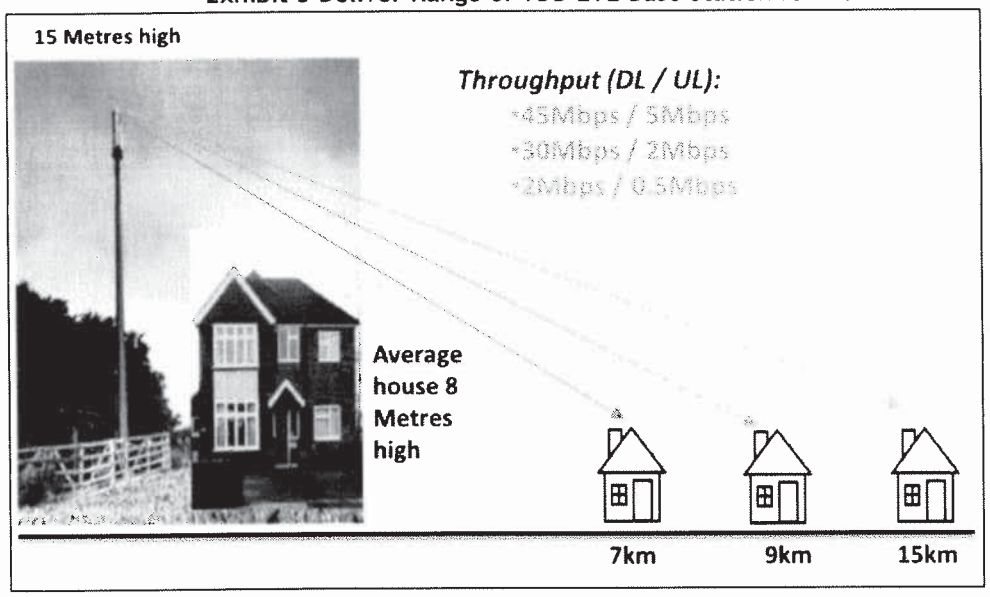
Fixed Wireless Local Loop Market

Besides the small cell scenario for congested urban hot zones, 3.5GHz is also a good candidate band for fixed wireless broadband access or 'wireless local loop' access. Many WiMAX operators who operate networks at 3.5GHz for fixed and nomadic services for about 4 million customers worldwide are finding that LTE TDD provides larger scale economies with a clear evolution roadmap from WiMAX. So, **many WiMAX operators are looking to migrate from WiMAX to LTE TDD.** This will further expand the market opportunity for global LTE TDD development.

In fact, some operators have already deployed LTE TDD as the solution for fixed 'wireless local loop' broadband access. UK Broadband launched LTE TDD at Band 42 and 43 in February 2012 to provide Next Generation Access

(NGA) service. As defined by OFCOM, NGA service provides a download speed that is greater than 24 Mbps. UK Broadband is designing its LTE TDD network with fixed CPE and larger antennas that ensure its performance in real network tests meets the NGA requirement up to 7-9 kilometers away from the base station (see exhibit below).

Exhibit 5 Deliver Range of TDD LTE Base Station for NGA



Source: UK Broadband

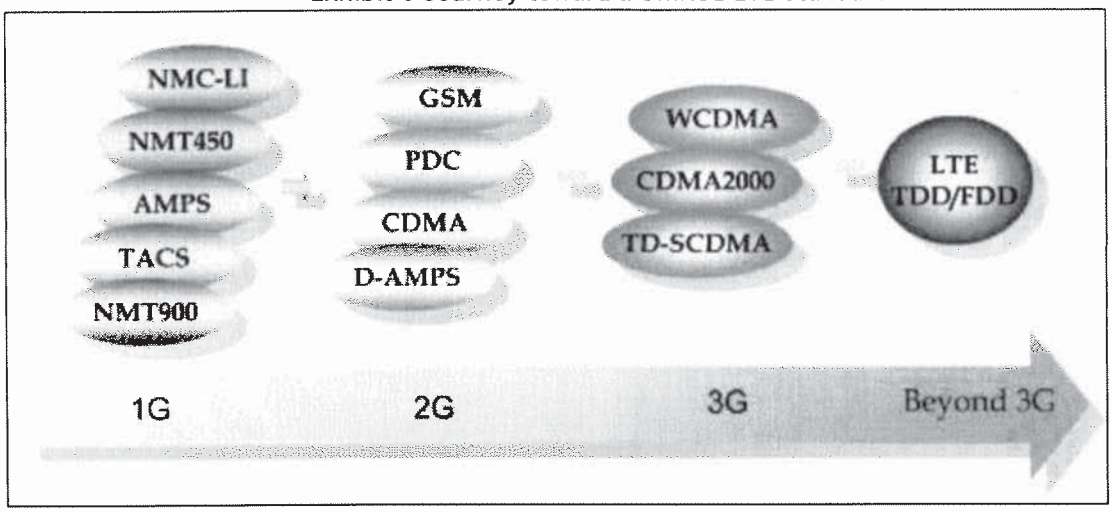
LTE TDD on High Frequency Spectrum helps meet the Growth in Mobile Broadband Demand

With the explosive growth of data traffic, mobile broadband service is demanding more and more spectrum and wider bandwidth. Higher frequency bands above 3GHz can support high peak data rates over shorter distances for the same Bits/Hz and these wide bands of spectrum are available in many countries to deliver significant system capacity. The global mobile industry is discussing new spectrum bands for mobile broadband service and many candidates at even higher frequencies than 3.5GHz band are being considered. **LTE TDD has natural advantages in such high frequency bands. It is also optimally designed to support asymmetric data traffic flexibly and cost effectively e.g. peak rates for video streaming and real time event broadcasts.** When the new spectrum bands are officially allocated in WRC-15 (World Radio Communication Congress 2015), LTE TDD could become even more valuable for global mobile broadband service.

Unified LTE standards provide solid foundation for LTE TDD global scale economies

The recent history of mobile communication standards has been a move toward fewer global harmonized standards. The fragmented 1G, 2G and 3G are now converging in many countries to a unified LTE standard - see China Mobile's roadmap for convergence in exhibit below.

Exhibit 6 Journey toward a Unified LTE Standard

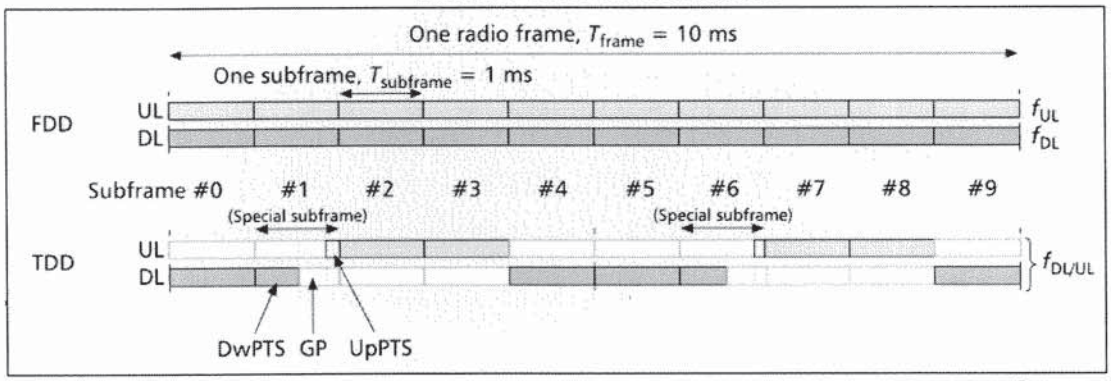


Source: China Mobile

One early strong requirement of the LTE design was to provide a single radio interface to support both FDD and TDD and to provide an even larger economy-of-scale for both duplex schemes.

The requirement that LTE TDD and FDD share the same network architecture and protocol stack means that virtually all of the physical layer processing is identical for FDD and TDD. Since both LTE TDD and FDD are based on the same physical layer design: OFDM downlink, SC-FDMA uplink and MIMO technology, the same network architecture, protocol stack and physical layer design enable low cost implementation of terminals that support both the FDD and TDD modes of operation. The difference between the two is primarily in the frame structure as illustrated in the exhibit below. A special sub-frame is designed for LTE TDD to support the co-existence with TD-SCDMA.

Exhibit 7 LTE Frame Structure



Source: Ericsson

The different frame structures do lead to some minor differences for random access, scheduling, HARQ timing etc. But in general, **TDD and FDD are two variants of the same technology**. They are defined in the same 3GPP specifications with the same features and share the same 3GPP standards releases. A global community of companies continues to contribute to both FDD and TDD modes within 3GPP which enables TDD and FDD to leverage common global Research and Development resources.

Since LTE TDD and FDD share the same network architecture and protocol stack, the interworking between them is inherently seamless and tightly coupled. Even tighter TDD/FDD interworking, for example, aggregation of FDD and TDD within the same node and different nodes (Multi-Flow) is currently being planned in 3GPP.

Thanks to the high commonality of the standards, it is possible for TDD and FDD to share most of the software and hardware in many products. For example, multiple vendors e.g. Qualcomm, Marvell, Hisilicon etc. have provided the multi-mode chipset for LTE TDD and FDD. Thus global market scale will lower costs as more converged TDD and FDD networks are deployed.

Window is Open for Harmonized LTE TDD Ecosystem development.

The leading infrastructure vendors have already developed LTE TDD network products on the same platform used by their LTE FDD products. Most LTE TDD software functions can be reused with LTE FDD and vice versa. The leading chipset vendor - Qualcomm, has already developed a common LTE FDD/TDD platform that supports FDD/TDD interworking from its first generation LTE modems. **Converged products and solutions are coming for both end-to-end FDD/TDD and FDD/TDD networking** that should lead to very flexible deployment scenarios for LTE TDD.

The window of opportunity is opening for LTE TDD global development. Leading operators in advanced markets already need additional spectrum to meet demand for high data speeds and more capacity; and to deliver these LTE TDD is uniquely able to use either 'slivers' or large swaths of asymmetric spectrum - that its FDD cousin cannot. In the long run the flexible asymmetric characteristics of LTE TDD make it an efficient and cost effective tool to satisfy demand.

However, the ecosystem of LTE TDD does not yet quite match the earlier LTE FDD technology. According to GSA the number of available LTE FDD devices is over 1,300, while there are only 304 LTE TDD user devices announced as of January 2014.

Differing LTE TDD Evolution Paths

Chinese operators, China Mobile and China Telecom already launched commercial LTE TDD service earlier this year. China Unicom will also launch service soon. Considering the huge customer base in China, and particularly China Mobile's strong financial performance, these commercial deployments will dramatically boost initial volume for LTE TDD infrastructure. Eventually worldwide volume is needed to guarantee that LTE TDD achieves global economies of scale - something never achieved by TD-SCDMA. However, in terms of network migration path, China Mobile's LTE TDD path is unique. **China Mobile is operating a TDD only 3G network** and may continue to run a TDD only network in 4G era, while most of the other operators worldwide will operate networks on both TDD and FDD spectrum.

For these operators, Sprint Spark or Softbank's hybrid LTE network represent better reference models for **how to use TDD spectrum to complement LTE FDD by boosting data speed and capacity.** It is expected that China Telecom and China Unicom will also deploy hybrid LTE TDD and FDD networks.

These different migration paths - compared to earlier TD-SCDMA, WiMAX or PHS roadmaps - will lead to different technical options and deployment scenarios which could limit the replicability of products for the global LTE TDD ecosystem.

Implications

To promote LTE TDD growth in the global market, **LTE TDD industry should leverage unified LTE standards and promote the harmonization of LTE TDD and FDD ecosystems.** Such harmonized ecosystems will provide stronger support for integrated TDD/FDD operations and will benefit both TDD and FDD players. Despite its TDD only focus, China Mobile's strong promotion of multimode/multiband LTE devices represents a move that should also help global harmonization of LTE TDD and FDD.

As we described here and in Strategy Analytics recent report 'Sprint's Spark integrates LTE FDD and TDD to compete with Verizon, AT&T and T-Mobile US', LTE TDD will play a very important role in hybrid LTE TDD and FDD networks. As data traffic continues to grow explosively; and as more high frequency bands are allocated for mobile broadband service, the **window of opportunity is opening for LTE TDD's global expansion**.

The unified LTE TDD and FDD standard provides a foundation for LTE TDD to accelerate the harmonization of LTE TDD and FDD ecosystems and so to achieve global scale economies. Support for integrated TDD/FDD operations and benefits to both TDD and FDD players will follow. This is the key to LTE TDD's global success.

Contact Information

To explore this topic in more detail or to hear how our solutions (Workshops, Presentations, Consulting engagements, annual multi-client services) can support you please contact us
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